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B & D Strategic Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1780)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2020**

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 March 2020 amounted to approximately HK\$441.9 million (2019: approximately HK\$300.9 million).
- Gross profit margin of the Group for the year ended 31 March 2020 was at approximately 11.6% (2019: approximately 23.3%).
- Profit before tax of the Group for the year ended 31 March 2020 was approximately HK\$36.4 million (2019: approximately HK\$43.1 million).
- Profit of the Group for the year ended 31 March 2020 amounted to approximately HK\$30.9 million (2019: approximately HK\$33.4 million).
- Basic earnings per share amounted to approximately HK cents 5.08 (2019: approximately HK cents 7.18).
- The Board did not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of B & D Strategic Holdings Limited (the “**Company**”) is pleased to present the audited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2020, together with the comparative figures for the corresponding year ended in 31 March 2019. The information contained in this announcement should be read in conjunction with the prospectus of the Company dated 13 April 2019 (the “**Prospectus**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	441,853	300,926
Direct costs		(390,702)	(230,707)
Gross profit		51,151	70,219
Other income		1,745	41
Other gains		485	84
Listing expenses		–	(17,518)
Administrative expenses		(16,970)	(9,699)
Finance costs		(3)	–
Profit before tax		36,408	43,127
Income tax expense	6	(5,544)	(9,733)
Profit and total comprehensive income for the year		30,864	33,394
Earnings per share	8		
— Basic (HK cents)		5.08	7.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		14,693	4,063
Right-of-use assets		54	–
Other receivable	9	6,696	–
		<u>21,443</u>	<u>4,063</u>
Current assets			
Trade and other receivables, deposits and prepayments	9	20,670	34,247
Contract assets		120,950	76,095
Tax recoverable		788	–
Pledged bank deposits		16,963	21,263
Bank balances and cash		150,120	61,121
		<u>309,491</u>	<u>192,726</u>
Current liabilities			
Trade, retention and other payables	10	68,321	43,095
Contract liabilities		–	3,028
Lease liabilities		53	–
Tax liabilities		14	3,559
		<u>68,388</u>	<u>49,682</u>
Net current assets		<u>241,103</u>	<u>143,044</u>
Net assets		<u>262,546</u>	<u>147,107</u>
Capital and reserves			
Share capital	11	6,200	–*
Reserves		254,812	146,702
Equity attributable to owners of the Company		<u>261,012</u>	<u>146,702</u>
Non-current liabilities			
Deferred tax liabilities		1,534	405
		<u>262,546</u>	<u>147,107</u>

* Amount less than HK\$1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL INFORMATION

B & D Strategic Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 24 April 2018 and its shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effective from 30 April 2019. Its registered office is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is located at Room 2803–2803A, Asia Trade Centre, 79 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. The businesses of the Company and its subsidiaries (collectively referred to as the “**Group**”) are mainly conducted through three major operating subsidiaries, namely, (i) Ka Shun Civil Engineering Company Limited (“**Ka Shun Civil Engineering**”), (ii) Ka Shun Contractors Limited (“**Ka Shun Contractors**”); and (iii) Ka Construction Company Limited (“**Ka Construction**”); and are principally engaged in provision of services on alteration and addition works (including alteration and addition of building layout and structural works that comprising design of new structural works, fitting-out works changes in facilities configuration, construction of a new extensive to existing buildings, conversion of an existing buildings, conversion of an existing building to different type etc.) and civil engineering works in Hong Kong.

The ultimate controlling party of the Group is Mr. TANG Wing Kwok (“**Mr. Tang**”). In the opinion of the directors of the Company, the immediate holding company of the Group is Sky Winner Holdings Limited (“**Sky Winner**”), a company incorporated in the British Virgin Islands (“**BVI**”).

The consolidated financial statements is presented in Hong Kong Dollar (“**HK\$**”), which is the same as the functional currency of the Company and its subsidiaries.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases” (“**HKAS 17**”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review; and
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

When recognising the lease liabilities for the lease of warehouse previously classified as operating leases, the Group has applied incremental borrowing rate of 3.5% at the date of initial application.

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	465
Lease liabilities discounted at relevant incremental borrowing rates	458
Less: Practical expedient — leases with lease term ending within 12 months from the date of initial application	(336)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	122
Analysed as	
Current	69
Non-current	53
Lease liabilities as at 1 April 2019	122

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	<i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u>122</u>
By class:	
A warehouse	<u>122</u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	<i>Note</i>	Carrying amounts previously reported at 31 March 2019	Adjustments	Carrying amounts under HKFRS 16 at 1 April 2019
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Right-of-use assets		–	122	122
Current liabilities				
Lease liabilities	<i>(a)</i>	–	(69)	(69)
Non-current liabilities				
Lease liabilities	<i>(a)</i>	–	(53)	(53)

(a) As at 1 April 2019, current lease liabilities and non-current lease liabilities of HK\$69,000 and HK\$53,000 were recognised respectively.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁵
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

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

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, “the Amendments to References to the Conceptual Framework” in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

Revenue of the Group represents the fair value of amounts received and receivable from the provision of services on alteration and addition works and civil engineering works in Hong Kong (all being recognised over time under long-term contracts in Hong Kong) during the year.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contract revenue from provision of services on alteration and addition works	174,788	215,568
Contract revenue from provision of services on civil engineering works	<u>267,065</u>	<u>85,358</u>
	<u><u>441,853</u></u>	<u><u>300,926</u></u>

5. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), being the executive directors of the Company, in order for CODM to allocate resources and assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

Specifically, the Group’s reporting and operating segments under HKFRS 8 “Operating Segments” are as follows:

- Alteration and addition works; and
- Civil engineering works.

The CODM makes decisions according to the operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

For the year ended 31 March 2020

	Alteration and addition works <i>HK\$'000</i>	Civil engineering works <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue — external	<u>174,788</u>	<u>267,065</u>	<u>441,853</u>
Segment results	<u>21,706</u>	<u>29,445</u>	51,151
Other income and other gains			2,230
Administrative expenses			(16,970)
Finance costs			(3)
Profit before tax			<u>36,408</u>

For the year ended 31 March 2019

	Alteration and addition works <i>HK\$'000</i>	Civil engineering works <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue — external	<u>215,568</u>	<u>85,358</u>	<u>300,926</u>
Segment results	<u>52,164</u>	<u>18,055</u>	70,219
Other income and other gains			125
Listing expenses			(17,518)
Administrative expenses			(9,699)
Profit before tax			<u>43,127</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment results represent the profit before tax earned by each segment without allocation of other income and other gains, listing expenses, administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

6. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
Hong Kong	4,890	9,829
Overprovision in prior year	(475)	–
Deferred tax	1,129	(96)
	<u>5,544</u>	<u>9,733</u>

Hong Kong Profit Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profit for the year ended 31 March 2020.

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

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

7. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
— 2020 interim — approximately HK4.84 cents (2019: Nil) per share	30,000	–
	<u>30,000</u>	<u>–</u>

The directors of the Company do not recommend the payment of a final dividend for ordinary share in respect of the year ended 31 March 2020.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	30,864	33,394
	<u>No. of shares '000</u>	<u>No. of shares '000</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	607,719	465,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 March 2019 has been determined as 465,000,000 ordinary shares, on the assumption that the Reorganisation and the Capitalisation Issue as defined in note 11 have been effective on 1 April 2018.

No diluted earnings per share is presented for both years as there was no potential ordinary share in issue.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	15,640	20,551
Advances to sub-contractors and suppliers	2,492	5,512
Prepaid listing expenses and deferred issue costs	–	5,697
Other receivables (<i>Note</i>)	7,761	970
Prepayments and deposits	1,473	1,517
	<u>27,366</u>	<u>34,247</u>
Less: non-current portion	<u>(6,696)</u>	<u>–</u>
Current portion	<u><u>20,670</u></u>	<u><u>34,247</u></u>

Note: Included in the other receivables as at 31 March 2020 is a refundable deposit of HK\$6,696,000 (2019: Nil) paid to an insurance company as collateral for issuing a performance bond of HK\$6,636,000 (2019: Nil) for an ongoing civil engineering project which is expected to be released after 31 March 2021 and is, therefore, classified as a non-current other receivable. Such deposit bears interest at 1.3% per annum. The remaining amount of the other receivables as at 31 March 2019 and 2020 mainly represent advances to injured workers that could be reimbursed from insurance.

Trade receivables

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the directors of the Company regularly.

The Group allows generally a credit period ranging from 30 to 90 days (2019: from 30 to 90 days) to its customers.

The following is an aged analysis of trade receivables presented based on dates of work certified at the end of each reporting period, net of allowance for credit loss.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
1–30 days	15,227	20,111
31–60 days	413	440
	<u>15,640</u>	<u>20,551</u>

10. TRADE, RETENTION AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	47,600	18,428
Retention payables	13,777	10,438
Staff costs payables	3,827	2,752
Accrued issue costs	–	8,421
Other payables (<i>Note</i>)	3,117	3,056
	<u>68,321</u>	<u>43,095</u>

Note: The other payables mainly represent payables in respect of construction industry levy and pneumoconiosis compensation fund board levy, accruals of audit fees and various office expenses.

The following is an aged analysis of trade payables presented based on the invoice dates at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
1–30 days	43,096	13,167
31–60 days	4,504	5,261
	47,600	18,428

11. SHARE CAPITAL

Prior to the completion of the group reorganisation on 19 June 2018 (the “**Reorganisation**”) (details of the Reorganisation are set out in the Company’s prospectus dated 13 April 2019), the share capital of the Group as at 1 April 2018 represents the issued ordinary share capital of Joy Goal Limited (“**Joy Goal**”, a wholly-owned subsidiary of the Company).

As at 31 March 2019 and 2020, the share capital of the Group represents the issued share capital of the Company and details of movements of share capital of the Company are as follows:

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 24 April 2018 (date of incorporation) and 31 March 2019 (<i>Note (i)</i>)	38,000,000	380
Increase during year (<i>Note (ii)</i>)	4,962,000,000	49,620
As at 31 March 2020	<u>5,000,000,000</u>	<u>50,000</u>
Issued:		
Issued as at 24 April 2018 (date of incorporation) (<i>Note (i)</i>)	1	– *
Issued on 19 June 2018 (date of completion of the Reorganisation) (<i>Note (iii)</i>)	9,999	– *
As at 31 March 2019 and 1 April 2019	10,000	– *
Issue of shares pursuant to the Share Offer (<i>Note (iv)</i>)	155,000,000	1,550
Issue of shares pursuant to the Capitalisation Issue (<i>Note (v)</i>)	464,990,000	4,650
As at 31 March 2020	<u>620,000,000</u>	<u>6,200</u>

* *Amounts less than HK\$1,000*

Notes:

- (i) The Company was incorporated on 24 April 2018 with the initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 per share. One nil-paid share was allotted and issued to the subscriber to the memorandum and articles of association of the Company, which was subsequently transferred to Sky Winner at a consideration of HK\$0.01 on the same date.
- (ii) On 4 April 2019, written resolutions of the sole shareholder of the Company were passed to approve the increase in authorised ordinary share capital of the Company from HK\$380,000 divided into 38,000,000 ordinary shares of the Company of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 ordinary shares of the Company of HK\$0.01 each by the creation of additional 4,962,000,000 new ordinary shares of the Company of HK\$0.01 each, ranking pari passu in all respects with the ordinary shares of the Company in issue on 4 April 2019.
- (iii) On 19 June 2018, Mr. Tang and Mr. LO Wing Hang (“**Mr. Lo**”) (as vendors and warrantors), Sky Winner (as confirmer) and the Company (as purchaser) entered into a sale and purchase agreement, pursuant to which, (a) Mr. Tang transferred his 34,741 ordinary shares (representing 69.48% of the entire issued share capital) in Joy Goal to the Company and in consideration of which the 1 nil-paid subscriber share of the Company and registered in the name of Sky Winner was credited as fully paid together with the Company issuing and allotting 6,947 ordinary shares of the Company, all credited as fully paid to Sky Winner at the instruction of Mr. Tang; and (b) Mr. Lo transferred his 15,259 ordinary shares (representing 30.52% of the entire issued share capital) in Joy Goal to the Company and in consideration of which the Company issued and allotted 3,052 ordinary shares of the Company, all credited as fully paid to Sky Winner at the instruction of Mr. Lo.
- (iv) On 30 April 2019, 155,000,000 ordinary shares with a par value of HK\$0.01 each of the Company were issued at a price of HK\$0.84 per share by way of public offer and placing of the Company’s ordinary shares (the “**Share Offer**”). On the same date, the Company’s ordinary shares were listed on the Main Board of the Stock Exchange.
- (v) On 30 April 2019, the Company effected the capitalisation of an amount of HK\$4,649,900 standing to the credit of the share premium account of the Company as a result of the Share Offer and to appropriate such amount as to capital to pay up in full, at par, 464,990,000 ordinary shares of the Company of HK\$0.01 each for allotment and issue to the shareholders of the Company on 4 April 2019, each ranking pari passu in all respects with the then existing issued ordinary shares of the Company (the “**Capitalisation Issue**”).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

We are a contractor specialising in alteration and addition works and civil engineering works in Hong Kong. In order to emphasise the specification on different fields of construction works, among our principal operating subsidiaries, Ka Shun Contractors Limited mainly focuses on the provision of alteration and addition works, while Ka Shun Civil Engineering Company Limited and Ka Construction Company Limited mainly focus on the provision of civil engineering works which generally include site formation works and foundation works.

We have obtained all material licenses, permits and registration required for carrying on our business activities, including the Registered General Building Contractors and the Specialist Contractors — Site Formation Works granted by the Buildings Department; the Approved Contractors for Public Works (Roads and Drainage) and the Approved Contractors for Public Works (Site Formation) both under Group B (probationary) granted by Works Branch of the Development Bureau of the Government of Hong Kong; and Subcontractor Registration Scheme of the Construction Industry Council under the group of concreting formwork, reinforcement bar fixing, concreting and general civil works.

The shares of the Company (the “**Shares**”) were listed on the Main Board of the Stock Exchange on 30 April 2019 (the “**Listing Date**”), when 155,000,000 ordinary shares (comprising a public offer of 31,000,000 shares and placing of 124,000,000 shares) had been offered for subscription (the “**Share Offer**”). The proceeds are intended to apply on the Group’s future plans as set out in the section headed “Future Plans and Use of Proceeds” to the Prospectus.

As at 31 March 2020, the Group had 7 contracts on hand (including contracts in progress and contracts which are yet to commence) with a total original contract value of approximately HK\$607.0 million. As at 31 March 2019, we had 9 contracts on hand with a total original contract value of approximately HK\$624.0 million.

In general, our customers primarily include property asset management companies, property developers and contractors in Hong Kong. We engage in projects in both public and private sectors. Public sector projects refer to projects of which the customer is a Government department, a statutory body or a Government controlled entity. During the year ended 31 March 2020, we focused undertaking projects in the private sector.

The social events in Hong Kong since the third quarter of 2019 and the outbreak of COVID-19 pandemic (the “**Epidemic**”) may cause uncertainty to the construction industry in Hong Kong. As for the Group, the size of tenders of civil works and alteration and addition works of the Group have been decreased whereas the materials and subcontractors’ costs have been increased since the Epidemic. Looking forward, the Directors anticipate that the year of 2020 will be a challenging year. We will continue to face keen competition in tenders in terms of the number and pricing as well as the increase of costs for labours and materials. The construction progresses may be adversely affected and additional costs may be incurred due to the extent of impact of the Epidemic is still uncertain as at the date of this announcement. However, according to the 2020–2021 Budget of the Government of Hong Kong published in

February 2020, the Government of Hong Kong will continue to invest in infrastructure projects and the annual capital works expenditure is expected to reach HK\$100 billion on average and the annual total construction output will increase to around HK\$300 billion in the next few years. Hence, the Directors are cautiously optimistic about the construction industry in Hong Kong and believe that our Group can further strengthen the two streams of businesses of alteration and addition works and civil engineering works by capturing the growth opportunities in the private and public sectors construction projects under the leadership of our experienced management team.

Financial Review

Revenue

Our revenue increased from approximately HK\$300.9 million for the year ended 31 March 2019 to approximately HK\$441.9 million for the year ended 31 March 2020, representing an increase of approximately 46.8%.

The increase was primarily due to an increased amount of construction works were performed by our Group on the sizable civil engineering projects during the year ended 31 March 2020.

Direct costs

Our direct costs increased from approximately HK\$230.7 million for the year ended 31 March 2019 to approximately HK\$390.7 million for the year ended 31 March 2020, representing an increase of approximately 69.3%. Such increase was mainly because (i) we engaged more subcontractors than last year in order to facilitate our projects' site management; and (ii) more direct costs were incurred due to the impact arising from the Epidemic since the first quarter of 2020.

Gross Profit and Gross Profit Margin

Our gross profit amounted to approximately HK\$70.2 million and approximately HK\$51.2 million for the year ended 31 March 2019 and the year ended 31 March 2020 respectively, representing a decrease of approximately 27.2%. The decrease in our gross profit was primarily due to the decrease in our gross profit margin in both alteration and addition works and civil engineering works segments.

The gross profit margin of alteration and addition works segment decreased from approximately 24.2% for the year ended 31 March 2019 to approximately 12.4% for the year ended 31 March 2020. The decrease was mainly because (i) certain projects with higher gross profit margin were substantially completed in the year ended 31 March 2019 and they were in completion stage during the year ended 31 March 2020 which generated a lower profit margin; (ii) new projects awarded were with relatively lower contract sums and lower gross profit margin due to the keen tender competition which was mainly due to the impact arising from social events in Hong Kong since the third quarter of 2019 and the Epidemic; and (iii) additional direct costs were incurred due to the impact arising from the Epidemic since the first quarter of 2020.

The gross profit margin of civil engineering works segment decreased from approximately 21.2% for the year ended 31 March 2019 to approximately 11.0% for the year ended 31 March 2020. The decrease was mainly because (i) more subcontractors were engaged; and (ii) the planned construction progress of certain projects of civil engineering works were adversely affected due to the Epidemic, hence, additional costs were incurred in the fourth quarter of 2019 in order to catch up with the planned construction progress of such projects.

Other Income and Other Gains

Our other income and other gains mainly represents interest income from fixed bank deposits, which increased from approximately HK\$125,000 for the year ended 31 March 2019 to approximately HK\$2.2 million for the year ended 31 March 2020. Such increase was mainly due to an increase in interest income from fixed bank deposits. We placed our unutilised proceeds from the initial public offering at banks for interest income since the Share Offer.

Administrative Expenses

Our administrative expenses increased from approximately HK\$9.7 million for the year ended 31 March 2019 to approximately HK\$17.0 million for the year ended 31 March 2020, representing an increase of approximately 75.0%. Such increase was mainly due to (i) the increase of administrative staff costs due to the increase in bonus payment; and (ii) the payment of post-listing compliance expenses, including legal and professional fees.

Profit before tax

Our profit before tax decreased from approximately HK\$43.1 million for the year ended 31 March 2019 to approximately HK\$36.4 million for the year ended 31 March 2020, which was mainly attributable to the net effect of the decrease in gross profit and the increase in administrative expenses as discussed above; and (ii) the recognition of listing expenses of approximately HK\$17.5 million during the year ended 31 March 2019 while no such expenses were recognised during the year ended 31 March 2020.

Our income tax expense decreased from approximately HK\$9.7 million for the year ended 31 March 2019 to approximately HK\$5.5 million for the year ended 31 March 2020 as a result of the decrease in the gross profit and the increase in administrative expenses as discussed above.

Profit and Total Comprehensive Income for the year

Our profit and total comprehensive income for the year decreased from approximately HK\$33.4 million for the year ended 31 March 2019 to approximately HK\$30.9 million for the year ended 31 March 2020, which was mainly due to the net effect of the decrease in gross profit and the increase in administrative expenses as discussed above; and (ii) the recognition of listing expenses of approximately HK\$17.5 million during the year ended 31 March 2019 while no such expenses were recognised during the year ended 31 March 2020.

Key Financial Ratio

	<i>Notes</i>	As at 31 March 2020	As at 31 March 2019
Current ratio	<i>1</i>	4.5 times	3.9 times
Return on total assets	<i>2</i>	9.3%	17.0%
Return on equity	<i>3</i>	11.8%	22.8%
Net profit margin	<i>4</i>	7.0%	11.1%

Notes:

1. Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.
2. Return on total assets is calculated as profit for the year divided by the total assets as of the respective reporting dates.
3. Return on equity is calculated as profit and total comprehensive income for the year divided by the total equity attributable to owners of the Company as of the respective reporting dates.
4. Net profit margin is calculated as profit and total comprehensive income divided by the revenue for the respective reporting years.

Current Ratio

Our current ratio was increased from approximately 3.9 times as at 31 March 2019 to approximately 4.5 times as at 31 March 2020. The increase was mainly due to the increase in bank and cash balances as a result of the Share Offer.

Return on Total Assets

Our return on total assets decreased from approximately 17.0% for the year ended 31 March 2019 to approximately 9.3% for the year ended 31 March 2020. The decrease was mainly due to the combined effect of (i) the increase in bank and cash balances as a result of the Share Offer; and (ii) the decrease in profit and total comprehensive income for the year ended 31 March 2020 as discussed above.

Return on Equity

Our return on equity decreased from approximately 22.8% for the year ended 31 March 2019 to approximately 11.8% for the year ended 31 March 2020. The decrease was mainly due to the combined effect of (i) the increase in bank and cash balances as a result of the Share Offer; and (ii) the decrease in profit and total comprehensive income for the year ended 31 March 2020 as discussed above.

Net Profit Margin

Although our Group incurred the listing expenses of approximately HK\$17.5 million during the year ended 31 March 2019 (2020: nil), our Group's net profit margin decreased from approximately 11.1% for the year ended 31 March 2019 to approximately 7.0% for the year ended 31 March 2020. The decrease was primarily due to (i) the decrease in the gross profit margin of our Group; and (ii) the increase in our Group's administrative expenses as discussed above.

Liquidity, Financial Resources and Capital Structure

As at 31 March 2020, the Company's issued capital was HK\$6.2 million and the number of its issued ordinary shares was 620,000,000 shares of HK\$0.01 each.

As at 31 March 2020, the Group had total cash and cash equivalents and pledged bank deposits of approximately HK\$150.1 million and approximately HK\$17.0 million respectively (31 March 2019: approximately HK\$61.1 million and approximately HK\$21.3 million respectively).

The Group has funded the liquidity and capital requirements primarily through capital contributions and cash inflow generated from operating activities for the year ended 31 March 2020.

Foreign Exchange Exposures

As the Group only operates in Hong Kong and all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Directors are of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange exposure for the year ended 31 March 2020 as well as for the year ended 31 March 2019.

Capital Commitments and Contingent Liabilities

As at 31 March 2019 and 2020, the Group had no material capital commitments and contingent liabilities.

Significant Investment, Material Acquisitions or Disposals of Subsidiaries and Associated Companies

During the year ended 31 March 2020, the Group did not have any significant investment held, any material acquisitions or disposals of subsidiaries and associated companies.

Future Plans for Material Investment or Capital Assets

Save as disclosed under the section headed "Future Plans and Use of Proceeds" in the Prospectus, there was no plans for material investments or capital assets as at 31 March 2020.

Comparison of Business Objectives with Actual Business Progress and Use of Proceeds

The Shares of the Company were listed on the Listing Date. The net proceeds from the initial public offering amounted to approximately HK\$96.7 million, which has been utilised by the Group in accordance with the disclosure as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

Up to the date of this announcement, details of the use of the proceeds are listed as below:

	Planned use of proceed <i>HK\$'000</i>	Actual usage from the Listing Date to 31 March 2020 <i>HK\$'000</i>	Unused amount up to 31 March 2020 <i>HK\$'000</i>
Strengthening our financial position	77,428	77,428	–
Expanding our workforce	10,840	1,247	9,593
Enhancing our machinery fleet			
— Replacing NRMM exempted machinery	4,162	4,162	–
General working capital	4,355	4,355	–
	<u>96,785</u>	<u>87,192</u>	<u>9,593</u>

As at the date of this announcement, the unutilised proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong. The Directors regularly evaluate the Group’s business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. Up to the date of this announcement, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

Employees and Remuneration Policy

As at 31 March 2020, we employed a total of 60 full-time employees (including two executive Directors but excluding three independent non-executive Directors), as compared to a total of 89 full-time employees as at 31 March 2019. The remuneration packages that the Group offers to employees includes salary, discretionary bonuses, staff benefits, contributions and retirement schemes as well as other cash subsidies. In general, the Group determines employee’s salaries based on each employee’s qualifications, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to salary raises, bonuses and promotions. The total staff cost incurred by the Group for the year ended 31 March 2020 was approximately HK\$27.7 million compared to approximately HK\$30.9 million in the corresponding year ended 31 March 2019.

Final Dividends

The Board did not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

CORPORATE GOVERNANCE CODE/ OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code (the “**CG code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). To the best of the knowledge of the Board, the Company has complied with the CG code from the Listing Date to up to the date of this announcement. The Directors will periodically review on the Company’s corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the code provisions from time to time.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company regarding Directors’ securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the requirements of the Model Code from the Listing Date to up to the date of this announcement.

Share Option Scheme

Pursuant to the written resolutions of the sole shareholder of the Company on 4 April 2019, the Company adopted a share option scheme (the “**Share Option Scheme**”) with effect from 4 April 2019. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and are summarized in the Prospectus. The main purpose of the Share Option Scheme is to motivate employees to optimize their performance efficiency for the benefit of the Company, to attract and retain best available personnel, to provide additional incentive to employees (full time or part time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote success of the business of the Group.

No share options had been granted under the Share Option Scheme since the adoption of the Scheme. During the period between the adoption date of the Share Option Scheme and the date of this announcement, no share option has been granted, exercised, cancelled or lapsed. As at the date of this announcement, the total number of shares available for issue under the Share Option Scheme was 62,000,000, representing 10% of the entire issued share capital of the Company.

Competing Interests

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates (as defined in the Listing Rules) is interested in a business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the Group’s business during the year ended 31 March 2020 and up to the date of this announcement, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Purchase, Sale or Redemption of the Company's Listed Securities

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries from the Listing Date to up to the date of this announcement.

Events after the year ended 31 March 2020

The wide spread of the Epidemic is a fluid and challenging situation that all industries and the society have to face with. The Group keeps on monitoring the overall impact of the situation on the operation of the Group and has taken all possible effective measures to limit and keep the impact in control. The Group will continue to keep attention on the change of the situation and will make timely response and adjustments (if necessary) in the future.

Save as disclosed in this paragraph, there is no other material event affecting the Group which has occurred after the year ended 31 March 2020 and up to the date of this announcement.

Sufficiency of Public Float

Based on the information that was publicly available and with the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed minimum public float for its shares as required under the Listing Rules from the Listing Date to up to the date of this announcement.

Change in Directors

Mr. Yiu Chun Wing (formerly known as Mr. Yiu Ka Wai) resigned as an independent non-executive Director as well as a member of the audit committee, the nomination committee and the remuneration committee of the Company with effect from 31 January 2020. In view of the resignation of Mr. Yiu Chun Wing, Mr. Chan Pui Hang Ian was appointed as an independent non-executive Director as well as a member of the audit committee, the nomination committee and the remuneration committee of the Company with effect from the same date of 31 January 2020. For details of the change in the director, please refer to the announcement of the Company dated 31 January 2020. Save as aforesaid mentioned, there was no change in Directors during the year ended 31 March 2020.

Audit Committee

The Company established the audit committee on 4 April 2019 in accordance with Rule 3.21 of the Listing Rules with the written terms of reference in compliance with the CG code as set out in Appendix 14 of the Listing Rules. The audit committee consists of three independent non-executive Directors, namely, Mr. Yeung Tze Long, Mr. Chan Pui Hang Ian and Mr. Cheung Ting Kin. Mr. Yeung Tze Long currently serves as the Chairman of the audit committee.

The Audit Committee had reviewed, together with the management and the Company's auditors, Deloitte Touche Tohmatsu, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 March 2020.

The Group's audited consolidated financial statements for the year ended 31 March 2020 have been reviewed and approved by the Audit Committee. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

Annual General Meeting

The annual general meeting of the Company will be held in Hong Kong on Tuesday, 8 September 2020. The notice of the annual general meeting will be published in the Company's website and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 3 September 2020 to Tuesday, 8 September 2020, both days inclusive, during which period no transfer of shares will be registered. In order to establish entitlements of attending and voting at the forthcoming annual general meeting of the Company to be held on Tuesday, 8 September 2020, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 2 September 2020.

Publication of Final Results and Annual Report

This results announcement is published on the Company's website at www.bnd-strategic.com.hk and the website of the Stock Exchange at www.hkexnews.hk. The 2020 annual report of the Company for the year ended 31 March 2020 will be despatched to shareholders of the Company and available on the same websites in due course.

By Order of the Board
B & D Strategic Holdings Limited
Tang Wing Kwok
Chairman and Executive Director

Hong Kong, 29 June 2020

As at the date of this announcement, the Board comprises Mr. Tang Wing Kwok and Mr. Lo Wing Hang as executive Directors; and Mr. Yeung Tze Long, Mr. Chan Pui Hang Ian and Mr. Cheung Ting Kin as independent non-executive Directors.