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Milestone Builder Holdings Limited

進階發展集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1667)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 September 2020 was approximately HK\$65.4 million, representing a decrease of 54.8% from approximately HK\$144.6 million for the six months ended 30 September 2019.
- Gross loss for the six months ended 30 September 2020 was approximately HK\$20.8 million (six months ended 30 September 2019: gross profit of approximately HK\$19.8 million).
- Administrative expenses for the six months ended 30 September 2020 were approximately HK\$15.3 million (six months ended 30 September 2019: approximately HK\$15.3 million).
- Loss attributable to the owners of the Company for the six months ended 30 September 2020 was approximately HK\$39.9 million (six months ended 30 September 2019: profit attributable to the owners of the Company of approximately HK\$0.6 million).
- The Board has resolved not to declare any interim dividend for the six months ended 30 September 2020.

FINANCIAL RESULTS

The board of directors (the “Board” or the “Directors”) of Milestone Builder Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group” or “our Group” or “we” or “our”) for the six months ended 30 September 2020 together with comparative figures for the previous financial period ended 30 September 2019, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended	
		30 September	
	<i>Note</i>	2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	65,417	144,583
Cost of sales	6	<u>(86,196)</u>	<u>(124,815)</u>
Gross (loss)/profit		(20,779)	19,768
Other income	4	2,289	600
Other (losses)/gains, net	5	(1,936)	124
Administrative expenses	6	<u>(15,273)</u>	<u>(15,274)</u>
Operating (loss)/profit		<u>(35,699)</u>	<u>5,218</u>
Finance income	7	31	80
Finance costs	7	<u>(4,193)</u>	<u>(4,778)</u>
Finance costs, net		<u>(4,162)</u>	<u>(4,698)</u>
(Loss)/profit before income tax		(39,861)	520
Income tax (expenses)/credits	8	<u>(31)</u>	<u>67</u>
(Loss)/profit and total comprehensive (loss)/income attributable to the owners of the Company		<u>(39,892)</u>	<u>587</u>
		<i>HK cents</i>	<i>HK cents</i>
		<i>per share</i>	<i>per share</i>
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company:			
Basic	9	<u>(4.77)</u>	<u>0.07</u>
Diluted	9	<u>(4.77)</u>	<u>0.07</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		30 September	31 March
		2020	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Investment properties		22,330	22,330
Property, plant and equipment		93	521
Right-of-use assets		4,502	5,371
Financial assets at fair value through profit or loss		9,604	—
Investments accounted for using the equity method		—	—
Deferred income tax assets		480	492
Long-term deposit	10	80	80
Total non-current assets		37,089	28,794
Current assets			
Amounts due from investments accounted for using the equity method		18,226	18,221
Amounts due from related companies		2,773	2,696
Trade, retention and other receivables, deposits and prepayments	10	55,806	58,695
Contract assets		221,166	228,873
Current income tax recoverable		6,439	6,250
Pledged deposits		26,187	26,157
Cash and bank balances		35,681	23,268
Total current assets		366,278	364,160
Total assets		403,367	392,954
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		96,000	80,000
Reserves		8,279	44,971
Total equity		104,279	124,971

		As at	
		30 September	31 March
		2020	2020
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Loans from shareholders	<i>12</i>	942	13,337
Lease liabilities		1,014	2,242
Deferred income tax liabilities		140	155
		<u> </u>	<u> </u>
Total non-current liabilities		2,096	15,734
		<u> </u>	<u> </u>
Current liabilities			
Amount due to a related company		—	2
Contract liabilities		3,972	5,360
Trade and other payables and accruals	<i>11</i>	125,153	141,021
Current income tax payables		162	25
Borrowings	<i>12</i>	151,170	102,487
Loans from shareholders	<i>12</i>	12,766	—
Lease liabilities		3,769	3,354
		<u> </u>	<u> </u>
Total current liabilities		296,992	252,249
		<u> </u>	<u> </u>
Total liabilities		299,088	267,983
		<u> </u>	<u> </u>
Total equity and liabilities		403,367	392,954
		<u> </u>	<u> </u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Milestone Builder Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 8 June 2016 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company’s registered office is 2nd Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman KY1-1103, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together the “Group”) provide (i) building construction services; (ii) alteration, addition, fitting-out works and building services; and (iii) repair and restoration of historic buildings in Hong Kong (together “construction and engineering services”); and engage in property development and investment business.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The interim condensed consolidated financial information is presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated.

This interim condensed consolidated financial information was approved for issue by the board of directors (the “Board”) of the Company on 30 November 2020.

This interim condensed consolidated financial information has not been audited.

The defined terms used in this interim condensed consolidated financial information have the same meaning as those set out in the Group’s Annual Report 2019/20 published on 30 July 2020 (the “Annual Report 2019/20”), unless otherwise stated.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 September 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. This interim condensed consolidated financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2.2 Summary of significant accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 March 2020, as described in those annual consolidated financial statements, except for the accounting policies resulting from application of amendments to HKFRSs and application of certain accounting policies which become relevant to the Group as set out below.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts of application of Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Financial assets at fair value through profit or loss (“FVPL”)

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Financial assets with cash flows that are not solely payments of principal and interest (“SPPI”) are classified and measured at FVPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVPL.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

3 SEGMENT INFORMATION

The chief operating decision-makers have been identified as the executive directors of the Company.

The executive directors consider the segment from a business perspective.

The Group is organised into two main operating segments in these internal reports:

- (a) Construction and engineering services — principally engaged in the provision of (i) building construction services; (ii) alternation, addition, fitting-out works and building services; and (iii) repair and restoration of historic buildings in Hong Kong; and
- (b) Property development and investment — principally engaged in the property development and investment business in Hong Kong and other countries in Asia-Pacific region.

The management assesses the performance of the operating segments based on a measure of adjusted earnings before interest expense, taxes, depreciation and amortisation (“EBITDA”).

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the executive directors.

An analysis of the Group's revenue and results for the period by operating segment is as follows:

	Construction and engineering services <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Total Group <i>HK\$'000</i>
Six months ended 30 September 2020 (Unaudited)			
Segment turnover	<u>65,165</u>	<u>252</u>	<u>65,417</u>
Segmental EBITDA	<u>(31,633)</u>	<u>204</u>	<u>(31,429)</u>
Depreciation	<u>(2,218)</u>	<u>—</u>	<u>(2,218)</u>
Segmental operating (loss)/profit	<u>(33,851)</u>	<u>204</u>	<u>(33,647)</u>
Fair value loss on financial assets at fair value through profit or loss			<u>(2,052)</u>
Finance costs, net			<u>(4,162)</u>
Loss before income tax			<u>(39,861)</u>
Income tax expenses			<u>(31)</u>
Loss attributable to the owners of the Company			<u><u>(39,892)</u></u>
Six months ended 30 September 2019 (Unaudited)			
Segment turnover	<u>144,472</u>	<u>111</u>	<u>144,583</u>
Segmental EBITDA	<u>7,701</u>	<u>56</u>	<u>7,757</u>
Depreciation	<u>(2,539)</u>	<u>—</u>	<u>(2,539)</u>
Segmental operating profit	<u>5,162</u>	<u>56</u>	<u>5,218</u>
Finance costs, net			<u>(4,698)</u>
Profit before income tax			520
Income tax credits			<u>67</u>
Profit attributable to the owners of the Company			<u><u>587</u></u>

4 REVENUE AND OTHER INCOME

The Group's revenue and other income recognised during the relevant periods are as follows:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue:		
Provision of construction and engineering services		
— Building construction services	8,777	6,240
— Alteration, addition, fitting-out works and building services	47,136	134,285
— Repair and restoration of historic buildings	9,252	3,947
Property development and investment		
— Rental income	252	111
	<u>65,417</u>	<u>144,583</u>
Other income:		
— Government grants (<i>Note</i>)	2,233	—
— Sundry income	56	600
	<u>2,289</u>	<u>600</u>

Note: Government grants recognized were related to Employment Support Scheme under the Anti-Epidemic Fund and on-the-job training subsidy. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

5 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fair value loss on financial assets at fair value through profit or loss	(2,052)	—
Gains on disposals of property, plant and equipment, net	116	124
	<u>(1,936)</u>	<u>124</u>

6 EXPENSES BY NATURE

Expenses included in cost of sales and administrative expenses are analysed as follows:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Construction cost recognised in cost of sales	86,190	124,724
Auditor's remuneration		
— Audit services	818	818
— Non-audit services	82	82
Depreciation of property, plant and equipment	433	666
Depreciation of right-of-use assets	1,785	1,873
Employee benefit expenses recognised in administrative expenses (including directors' emoluments)	8,228	7,992
Other lease expenses*	294	331
Staff welfare, messing and entertainment	393	296
Motor vehicle expenses	386	510
Legal and professional fees	550	410
Building management fees	369	373
Others	1,941	2,014
Total cost of sales and administrative expenses	101,469	140,089

* These expenses relate to short-term leases. They are directly charged as expenses and are not included in the measurement of lease liabilities under HKFRS 16.

7 FINANCE INCOME AND COSTS

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest income:		
— Bank interest income	<u>31</u>	<u>80</u>
Finance income	<u><u>31</u></u>	<u><u>80</u></u>
Interest expenses:		
— Borrowings	(3,807)	(4,557)
— Lease liabilities	(125)	(195)
— Interest-free loans from shareholders: unwinding of discount (<i>Note</i>)	(370)	—
Foreign exchange gains/(losses), net	<u>109</u>	<u>(26)</u>
Finance costs	<u><u>(4,193)</u></u>	<u><u>(4,778)</u></u>
Finance costs, net	<u><u>(4,162)</u></u>	<u><u>(4,698)</u></u>

Note: During the six months ended 30 September 2020, interest expenses of approximately HK\$370,000 represented the unwinding of discount on the fair value of interest-free loans from shareholders of HK\$14,402,000, discounted using the prevailing market interest rate of 5.5%.

8 INCOME TAX EXPENSES/CREDITS

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%).

The amount of income tax expenses/(credits) charged to the interim condensed consolidated statement of comprehensive income represents:

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong profits tax on profits for the period	34	393
Deferred income tax	<u>(3)</u>	<u>(460)</u>
Income tax expenses/(credits)	<u><u>31</u></u>	<u><u>(67)</u></u>

Income tax expense/(credits) is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

9 (LOSS)/EARNINGS PER SHARE

Basic loss/earnings per share is calculated by dividing the loss/profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
(Loss)/earnings:		
(Loss)/profit attributable to the owners of the Company (HK\$'000)	<u>(39,892)</u>	<u>587</u>
Number of shares:		
Weighted average number of ordinary shares in issue (thousands)	<u>836,721</u>	<u>800,000</u>
Basic (loss)/earnings per share (HK cents)	<u>(4.77)</u>	<u>0.07</u>
Diluted (loss)/earnings per share (HK cents)	<u>(4.77)</u>	<u>0.07</u>

There were no potentially dilutive ordinary share outstanding as at 30 September 2019 and 2020.

10 TRADE, RETENTION AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	30 September 2020	31 March 2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Current portion		
Trade receivables (<i>Note (a)</i>)	14,728	19,392
Retention receivables (<i>Note (b)</i>)	<u>34,087</u>	<u>33,193</u>
	----- 48,815	----- 52,585
Prepayments, deposits and other receivables:		
Prepayments	1,601	1,634
Deposits	1,716	1,671
Other receivables	<u>3,674</u>	<u>2,805</u>
	----- 6,991	----- 6,110
	<u>55,806</u>	<u>58,695</u>
Non-current portion		
Long-term deposit	<u>80</u>	<u>80</u>
Total	<u>55,886</u>	<u>58,775</u>

The carrying amounts of the trade and other receivables and deposits are denominated in HK\$ and approximated their fair values.

(a) Trade receivables

The Group's credit terms to trade debtors other than retention receivables are generally 30 days. The ageing analysis of the trade receivables, based on invoice date, is as follows:

	As at	
	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Less than 30 days	9,003	11,415
31–60 days	2,041	4,109
61–90 days	97	80
Over 90 days	3,587	3,788
	<u>14,728</u>	<u>19,392</u>

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, the Group has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, the Group has retained late payment and credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its consolidated balance sheet. The amount repayable under the factoring agreement is presented as borrowing. The Group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost.

The relevant carrying amounts are as follows:

	As at	
	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables under factoring arrangement	5,117	751
Associated secured borrowing	<u>4,533</u>	<u>5,078</u>

(b) Retention receivables

Retention receivables are settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. In the interim condensed consolidated balance sheet, retention receivables were classified as current assets. The ageing analysis of these retention receivables based on the terms of related contracts was as follows:

	As at	
	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Will be recovered within twelve months	16,941	17,035
Will be recovered more than twelve months after the balance sheet date	<u>17,146</u>	<u>16,158</u>
	<u><u>34,087</u></u>	<u><u>33,193</u></u>

The Group does not hold any collateral as security.

11 TRADE AND OTHER PAYABLES AND ACCRUALS

	As at	
	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade payables (<i>Note (a)</i>)	85,521	80,658
Bills payables (<i>Note (b)</i>)	<u>33,171</u>	<u>51,413</u>
	118,692	132,071
Other payables and accruals (<i>Note (c)</i>)	<u>6,461</u>	<u>8,950</u>
	<u><u>125,153</u></u>	<u><u>141,021</u></u>

Trade and bills payables and other payables and accruals approximate their fair values and are denominated in HK\$.

(a) Trade payables

Credit terms granted to us by our suppliers and subcontractors vary from contract to contract. Our suppliers and subcontractors, on average, grant us a credit period of mostly 30 days to 60 days upon the issue of an invoice.

The ageing analysis of the trade payables, based on invoice date, is as follows:

	As at	
	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
1–30 days	44,589	34,311
31–60 days	1,835	6,505
61–90 days	2,746	5,321
Over 90 days	<u>36,351</u>	<u>34,521</u>
	<u>85,521</u>	<u>80,658</u>

(b) Bills payables

As at 30 September 2020, the balance represents bank acceptance notes with maturity dates within six months (31 March 2020: six months).

The maturity profile of the bills payables of the Group is as follows:

	As at	
	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
Due within 30 days	6,456	17,965
Due within 31 to 60 days	9,798	17,899
Due within 61 to 90 days	12,086	12,932
Over 90 days	<u>4,831</u>	<u>2,617</u>
	<u>33,171</u>	<u>51,413</u>

(c) Other payables and accruals

	As at	
	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Accrued staff costs and pension obligations	2,977	5,744
Accrued expenses	2,946	2,509
Other payables	538	697
	<u>6,461</u>	<u>8,950</u>

12 BORROWINGS AND LOANS FROM SHAREHOLDERS

	As at	
	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Bank borrowings	113,372	80,813
Bank overdrafts	27,798	21,674
Total bank borrowings and overdrafts (Note (i))	141,170	102,487
Other borrowings (Note (ii))	10,000	—
	<u>151,170</u>	<u>102,487</u>
Loans from shareholders (Note (iii))		
— current portion	12,766	—
— non-current portion	942	13,337
	<u>13,708</u>	<u>13,337</u>

Note (i):

Bank borrowings due for repayment after one year which contain a repayment on demand clause are classified as current liabilities.

Movements in bank borrowings is analysed as follows:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Opening balance	80,813	115,064
Repayments of bank borrowings	(57,321)	(150,952)
Proceeds from bank borrowings	89,880	<u>148,426</u>
Closing balance	<u>113,372</u>	<u>112,538</u>

As at 30 September 2020, the bank borrowings facilities granted to the Group are secured by the following:

- (a) Pledged deposits of HK\$26,187,000 (31 March 2020: HK\$26,157,000);
- (b) The Group's investment properties amounting to HK\$22,330,000 (31 March 2020: HK\$22,330,000);
- (c) Trade receivables under factoring arrangement amounting to HK\$5,117,000 (31 March 2020: HK\$751,000);
- (d) Financial assets at fair value through profit or loss of HK\$9,604,000 (31 March 2020: Nil);
- (e) Corporate guarantees executed by the Company and certain subsidiaries of the Group (31 March 2020: same);
and
- (f) A pledged property of a related company located in Hong Kong (31 March 2020: same).

The carrying amounts of bank borrowings approximate their fair values.

These borrowing carry floating rates at Prime Rate, Hong Kong Interbank Offered Rate ("HIBOR") or London Interbank Offered Rate ("LIBOR") plus or minus a margin and the exposure of these bank borrowings to interest rate charges and the contractual repricing dates are six months or less. The weighted average interest rates are 4.2% per annum as at 30 September 2020 (31 March 2020: 5.1% per annum).

As at 30 September 2020, total undrawn bank facilities amounted to approximately HK\$79,542,000 (31 March 2020: HK\$61,224,000).

Note (ii):

Other borrowings of approximately HK\$10,000,000 as at 30 September 2020 (31 March 2020: Nil) are unsecured, interest bearing at 6% per annum, repayable by 12 August 2021 and denominated in HK\$.

Note (iii):

Loans from shareholders of approximately HK\$13,708,000 as at 30 September 2020 (31 March 2020: HK\$13,337,000) are unsecured, interest free, repayable for an initial term of two years from the drawdown dates and denominated in HK\$.

13 DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

There were no dividends paid during the period (six months ended 30 September 2019: same).

14 COMMITMENTS

Operating lease commitments — Group company as lessor

The Group had contracted with lessees for leasing office premises under a non-cancellable operating lease agreement. The original lease terms are ranged from 6 months to 3 years and the lease arrangement is renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under the non-cancellable operating lease are as follows:

	As at	
	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
No later than 1 year	770	301
Later than 1 year and no later than 5 years	<u>1,997</u>	<u>211</u>
	<u><u>2,767</u></u>	<u><u>512</u></u>

15 CONTINGENCIES

The Group's contingent liabilities were as follows:

	As at	
	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
Surety bonds (<i>Note</i>)	<u><u>4,925</u></u>	<u><u>29,249</u></u>

Note: As at 30 September 2020, the Group provided guarantees of surety bonds in respect of 5 (31 March 2020: 6) construction contracts of the Group in its ordinary course of business. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Milestone Builder Holdings Limited (the “Company”) and its subsidiaries (which are collectively referred to as the “Group” or “our Group” or “we” or “our”) is an established contractor with job references in both private and public sectors in (i) building construction services; (ii) alteration, addition, fitting-out works and building services; (iii) repair and restoration of historic buildings (together “Construction and Engineering Services”); and (iv) property development and investment (“Property Development and Investment”).

Business Review

The following table sets out a breakdown of our total revenue during the six months ended 30 September 2020 and the comparative period according to our four major types of services:

	Six months ended 30 September			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Building construction services	8,777	13.4	6,240	4.3
Alteration, addition, fitting-out works and building services	47,136	72.1	134,285	92.9
Repair and restoration of historic buildings	9,252	14.1	3,947	2.7
Property development and investment	<u>252</u>	<u>0.4</u>	<u>111</u>	<u>0.1</u>
Total	<u>65,417</u>	<u>100.0</u>	<u>144,583</u>	<u>100.0</u>

As at 30 September 2020, there were 1, 32 and 3 on-going projects in progress, pertaining to (i) building construction services, (ii) alteration, addition, fitting-out works and building services, and (iii) repair and restoration of historic buildings, respectively.

As at 30 September 2020, the aggregate amount of revenue expected to be recognised after 30 September 2020 of our on-going projects was approximately HK\$107.2 million.

The following table sets out our completed contracts during the six months ended 30 September 2020 with contract sum of HK\$3 million or above:

Particulars of project	Main category of works	Expected project period ^(Note 1)
General Air Quality Monitoring Station at Aberdeen Tennis & Squash Centre	Alteration, addition, fitting-out works and building services	May 2019 to September 2019
Fitting-out works for a market in Tseung Kwan O	Alteration, addition, fitting-out works and building services	March 2018 to July 2018

Particulars of project	Main category of works	Expected project period ^(Note 1)
Maintenance and repairing works for a Buddhist temple in Tsuen Wan	Alteration, addition, fitting-out works and building services	May 2019 to November 2019
Alteration and addition works for a wholesale conversion in Kwai Chung	Alteration, addition, fitting-out works and building services	June 2018 to July 2019
Alteration and addition works for a school in Shatin	Alteration, addition, fitting-out works and building services	June 2019 to October 2019
Repair and conservation works for a primary school in Happy Valley	Repair and restoration of historic buildings	May 2019 to November 2019

Note:

1. Expected project period generally refers to the period in the original work programme of the project or the period stated in the contract or letter of acceptance or tender or order to commence or architects instruction and is subject to changes in the course of works.

The following table sets out brief details of our projects in progress as at 30 September 2020 with contract sum of more than HK\$3 million:

Particulars of project	Main category of works	Expected project period ^(Note 1)
Residential development in Ting Kau	Building construction services	September 2018 to December 2019
Alteration and addition works for a residential building in Yuen Long	Alteration, addition, fitting-out works and building services	August 2018 to August 2019
Alteration and addition and renovation works for a project in Fanling	Alteration, addition, fitting-out works and building services	November 2018 to August 2020
Refurbishment of public toilet to both the internal and external at Aldrich Bay	Alteration, addition, fitting-out works and building services	November 2019 to May 2020
Alteration and addition works for a school in Tai Tam	Alteration, addition, fitting-out works and building services	March 2020 to July 2021
Refurbishment of public toilet in Tai Po	Alteration, addition, fitting-out works and building services	July 2020 to January 2021

Particulars of project	Main category of works	Expected project period^(Note 1)
Traffic improvement work for cemetery in Chai Wan	Alteration, addition, fitting-out works and building services	August 2020 to February 2021
Maintenance and repairing works for a Buddhist temple in Tsuen Wan	Alteration, addition, fitting-out works and building services	August 2020 to November 2020
Electrical, plumbing and drainage installation work for an industrial development project in Aberdeen	Alteration, addition, fitting-out works and building services	August 2018 to January 2020
Plumbing and drainage installation work for a residential development project in Homantin	Alteration, addition, fitting-out works and building services	September 2018 to March 2020
Electrical and ACMV installation system in Kai Tak	Alteration, addition, fitting-out works and building services	October 2018 to November 2020
Plumbing and drainage installation work for a private club in Discovery Bay	Alteration, addition, fitting-out works and building services	April 2019 to April 2020
Plumbing and drainage installation work for an university in Clear Water Bay	Alteration, addition, fitting-out works and building services	October 2019 to May 2021
Alteration and addition works for a logistic centre in Yuen Long	Alteration, addition, fitting-out works and building services	March 2020 to September 2020
Restoration works for a Buddhist temple in Happy Valley	Repair and restoration of historic buildings	August 2020 to August 2021
Renovation works for a church in Central	Repair and restoration of historic buildings	August 2020 to December 2020
Demolition and conservation works at Clock Tower in Homantin	Repair and restoration of historic buildings	January 2020 to May 2021

Note:

1. Expected project period generally refers to the period in the original work programme of the project or the period stated in the contract or letter of acceptance or tender or order to commence or architects instruction and is subject to changes in the course of works.

Major Licenses, Qualifications and Certifications

As at 30 September 2020, our Group has obtained the following major licenses, qualifications and certifications in Hong Kong:

Relevant authority/ Organisation	Relevant list/Category	License	Holder	Date of first grant/Registration	Expiry date for existing license	Authorised contract value
WBDB ¹	Approved Contractors for Public Works — Buildings Category	Group A (probation) ²	Milestone Builder Engineering Limited (“Milestone Builder”)	2 May 2012	Not Applicable	Contracts of value up to HK\$100 million
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works — Repair and Restoration of Historic Buildings Category ³	—	Milestone Builder	4 June 2013	Not Applicable	Not Applicable
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works — Repair and Restoration of Historic Buildings Category ³	—	Milestone Specialty Engineering Limited (“Milestone Specialty”)	7 September 2017	Not Applicable	Not Applicable
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works — Electrical Installation Category	Group II of Electrical Installation (probation)	Speedy Engineering & Trading Company Limited (“Speedy Engineering”)	21 June 2016	Not Applicable	Contracts/sub-contracts of value up to HK\$5.7 million
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works — Plumbing Installation Category	Group I of Plumbing Installation	Speedy Engineering	25 May 2017	Not Applicable	Contracts/sub-contracts of value up to HK\$2.3 million
Buildings Department	Certificate of Registration of General Building Contractor ⁴	—	Milestone Builder	29 October 2008	28 September 2023	Not Applicable
Buildings Department	Certificate of Registration of Registered Minor Works Contractor ^{5,6}	Type A–D, F, G (Class I, II, III) ^{7,8}	Milestone Builder	2 September 2011	2 September 2023	Not Applicable
Buildings Department	Certificate of Registration of Specialist Contractor ⁹	Site Formation Works ¹⁰	Milestone Builder	27 September 2006	10 September 2021	Not Applicable
Buildings Department	Certificate of Registration of Registered Minor Works Contractor	Type A, B, D, E, F, G (Class II & III)	Speedy Engineering	7 March 2013	7 March 2022	Not Applicable
Buildings Department	Certificate of Registration of General Building Contractor ⁴	—	Speedy Engineering	28 February 2019	30 January 2022	Not Applicable

1 WBDB refers to the Works Branch Development Bureau (發展局工務科) of the Government. The Development Bureau has maintained the Contractor List and the Specialist List to monitor the eligibility of a contractor to tender for Government contracts.

- 2 A Group A (probation) contractor may tender for any number of Group A contracts (i.e. contracts of value up to HK\$100 million) in the same category, provided the total value of works in the Group A contracts that it already holds and the Group A contract being procured under the same category does not exceed HK\$100 million.
- 3 A Repair and Restoration of Historic Buildings Category contractor is eligible to tender for Government contracts relating to repair and restoration of historic buildings and structures.
- 4 Registered general building contractors (RGBC) may carry out general building works and street works which do not include any specialised works in the designated categories.
- 5 Minor Works Contractors are eligible to carry out various types of minor works.
- 6 Minor works are classified into three classes according to their scale, complexity and risk to safety and are subject to different degree of control. Minor works are grouped into seven types (i.e. Types A, B, C, D, E, F and G) according to their nature.
- 7 Type A (Alteration and Addition Works); Type B (Repair Works); Type C (Works relating to Signboards); Type D (Drainage Works); Type E (Works relating to Structures for Amenities); Type F (Finishes Works); and Type G (Demolition Works).
- 8 Class I (High degree of complexity and risk with 44 minor works items); Class II (Medium degree of complexity and risk with 40 minor works items); and Class III (Low degree of complexity and risk with 42 minor works items).
- 9 Registered specialist contractors may carry out specialised works in their corresponding categories in the sub-registers in which they have been entered. There are five categories of works designated as specialised works: demolition works, foundation works, ground investigation field works, site formation works and ventilation works.
- 10 All site formation works are specialised works of the site formation category save for the circumstances specified by the Buildings Department.

Development of the Group

The sudden outbreak of the novel coronavirus (COVID-19) has affected businesses and individuals around the world dramatically, and posed severe challenges to the global economy in varying degrees. Hong Kong has plunged into deep recession. Overall investment spending continued to decrease amid subdued business sentiment. The Group's business performance has been severely affected unavoidably.

It has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures.

Placing of New Share and the use of net proceed form the Placing

In order to strengthen our financial position in economic downturn, on 7 August 2020, the Company entered into the Placing Agreement. A total of 160,000,000 Placing Shares were allotted and issued at the Placing Price of HK\$0.125 per Placing Share pursuant to the terms and conditions of the Placing Agreement. The 160,000,000 Placing Shares represent (i) 20% of the existing issued share capital of the Company of 800,000,000 Shares before completion of the Placing; and (ii) approximately 16.67%

of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. On 20 August 2020, the gross proceeds from the Placing was HK\$20 million. After deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the Placing, the net proceeds were approximately HK\$19.2 million. The Company applied the entire net proceeds from the Placing for repayment of bank loans and bill payables of the Group. For more details, reference is made to the announcements of the Company dated 7 August 2020, 13 August 2020 and 20 August 2020.

Financial Review

Revenue

Revenue for the six months ended 30 September 2020 was approximately HK\$65.4 million, representing a decrease of 54.8% from approximately HK\$144.6 million for the six months ended 30 September 2019. The decline in our revenue was mainly attributable to the decrease in the number of projects awarded to the Group in both public and private construction market, due to severe competition and the negative effect arising from the outbreak of the COVID-19 and the overall economic depression in Hong Kong.

Gross (Loss)/Profit

The Group's gross loss for the six months ended 30 September 2020 was approximately HK\$20.8 million (six months ended 30 September 2019: gross profit of approximately HK\$19.8 million). The loss was due to the combined effect of (1) the on-going projects during the period which had lower gross profit margin than that of the ongoing projects during the period ended 30 September 2019 due to the increasingly competitive environment of the construction industry; (2) cost overrun resulting from unexpected prolonged completion of certain projects as there were additional costs incurred to catch up with the progress of these on-going projects and to maintain the quality of construction work.

Administrative Expenses

The Group's administrative expenses were approximately HK\$15.3 million during the six months ended 30 September 2020 (six months ended 30 September 2019: approximately HK\$15.3 million).

(Loss)/Profit before Income Tax and (Loss)/Profit attributable to the owners of the Company

During the six months ended 30 September 2020, the Group reported loss before income tax of approximately HK\$39.9 million (six months ended 30 September 2019: profit before income tax of approximately HK\$0.5 million). The negative change was due to factors mentioned above.

Loss attributable to the owners of the Company was approximately HK\$39.9 million for the six months ended 30 September 2020 (six months ended 30 September 2019: profit attributable to the owners of the Company of approximately HK\$0.6 million).

Principal Risks and Uncertainties

— *Fluctuating cash flows pattern*

Our Group may incur net cash outflows at the early stage of carrying out our works when we are required to pay the setting up expenditures (such as purchase of materials) and/or our subcontractors prior to payment received from our customers. Our customers will pay progress payments after our works commence and after such works and payments have been confirmed and certified by our customers. Accordingly, our Group may experience net cash outflows to pay certain set-up expenditures and/or subcontractors' fees in which the respective progress payments may not be received for the same periods. If during any particular period of time, there exists too many projects which require substantial cash outflows while we have significantly less cash inflows during that period, our cash flow position may be adversely affected.

— *Accuracy on the estimated time and costs*

As contracts from public and private customers are normally awarded through successful tendering and acceptance of quotation offer, our Group needs to estimate the time and costs based on the tender documents or quotation requests provided in order to determine the tender price or quotation before submitting the tender or providing the quotation. There is no assurance that the actual execution time and costs of the project would not exceed our Group's estimation.

The actual time taken and costs involved in completing contracts undertaken by our Group may be adversely affected by a number of factors, such as shortage or cost escalation of materials and labour, adverse weather conditions, additional variations to the work plans requested by our customers, delays in obtaining any required permits or approvals, disputes with our subcontractors or other parties, accidents, changes in the Government's and our customers' priorities and any other unforeseen problems and circumstances. Any of the aforementioned factors may give rise to delays in completion of works or cost overruns or even termination of projects by our customers, which in turn may adversely affect our Group's profitability and liquidity.

Further, delay in the process of obtaining specific licences, permits or approvals from the Government agencies or authorities in carrying out any particular project could also increase the costs or delay the progress of a project. Failure to complete construction according to specifications and quality standards on a timely basis may result in disputes, contract termination, liabilities and/or lower returns than anticipated on the construction project concerned. Such delay or failure to complete and/or termination of a project by our customers may cause our revenue or profitability to be lower than what we have expected.

— *Continuity of order book for new projects*

Our Group provides services to our customers generally on a project-by-project basis, and the duration of our projects is normally less than two years. Our revenue from our projects is not recurring in nature. We cannot guarantee that we will continue to secure new projects from our customers after the completion of the existing awarded projects.

— *Non-standardisation of profit margin*

The Directors believe that the profit margin of each project significantly depends on various factors, such as the terms of the contracts, the length of the contractual period, the efficiency of implementation of the contractual works and the general market conditions which are beyond our Group's control. As a result, the income flow and the profit margin of each project, which are largely dependable on the terms of the work contracts, may not be entirely standardised and consistent and there is no assurance that the profitability of a project can be maintained or estimated at any level. If the profit margin of the project significantly deviates from the estimation of the Directors, our Group's financial position could be adversely affected.

— *Reduction of construction works in Hong Kong*

During the last three financial years, all of our revenue was derived in Hong Kong. The future growth and level of profitability of the construction industry in Hong Kong depends on, among other factors, the availability of major construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the spending patterns of the Government for the construction industry, the investments of property developers and the general conditions and prospects of local economy. These factors may affect the availability of the building construction works, alteration, addition, fitting-out and building works, and repair and restoration of historic buildings works from our customers. In the event that there is a downturn in the economy of Hong Kong, our results of operations and financial performance could be severely affected.

Debts and Charge on Assets

The total interest bearing borrowings of the Group, including bank loans, other borrowings and lease liabilities (As at 31 March 2020: bank loans and lease liabilities), was approximately HK\$156.0 million as at 30 September 2020 (HK\$108.1 million as at 31 March 2020). These banking facilities were secured by the Group's assets which details disclosed in note 12 to the interim condensed consolidated financial information. Borrowings were denominated mainly in Hong Kong dollars and interest rate of bank borrowings were charged at 1.47%–6.0% per annum. The Group currently does not have an interest rate hedging policy while the Group monitors interest rate risks continuously.

Save as disclosed elsewhere in this announcement, we did not have, at the closure of business on 30 September 2020, any loan capital issued nor any outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

Liquidity, Financial Resources and Capital Structure

The Group has normally funded the liquidity and capital requirements primarily through capital contributions and loans from the shareholders and bank borrowings.

As at 30 September 2020, the Group had cash and bank balances of approximately HK\$35.7 million (31 March 2020: approximately HK\$23.3 million). The Group's gearing ratio and current ratio are as follows:

	As at	
	30 September	31 March
	2020	2020
Current ratio	1.2	1.4
Gearing ratio	<u>56%</u>	<u>44%</u>

Current ratio is calculated based on the total current assets divided by the total current liabilities.

Gearing ratio is calculated based on the net debt (total debts including loans from shareholders, lease liabilities and borrowings, less cash and bank balances) divided by total capital (summation of equity plus net debt).

The financial resources presently available to the Group include bank borrowings, other borrowings and loans from shareholders and we have sufficient working capital for our future requirements.

Use of net proceeds from the Listing

As disclosed in the Company’s prospectus dated 22 March 2017 (the “Prospectus”) and the Company’s announcement dated 9 February 2018, the Group’s net proceeds from the share offer (the “Net Proceeds”), after deducting related underwriting fees and Listing expenses for the listing of the shares of the Company on the Main Board of the Stock Exchange on 7 April 2017 (the “Listing”), of approximately HK\$75.9 million are intended to use. As at 30 September 2020, the Company had utilized approximately HK\$75.4 million, representing approximately 99.3% of the Net Proceeds. The unutilized Net Proceeds amount to approximately HK\$0.5 million, representing approximately 0.7% of the Net Proceeds. As at 30 September 2020, there has not been any change to the intended use of the Net Proceeds of the allocated amount as disclosed in the announcement of the Company dated 9 February 2018. The utilisation of the net proceeds as at 30 September 2020, are set out as follows:

Uses of Net Proceeds	Original allocation <i>HK\$ million</i>	Revised allocation as disclosed in the announcement dated	Utilisation as at	Remaining	Expected timeline of fully utilisation of balance
		9 February 2018 <i>HK\$ million</i>	30 September 2020 <i>HK\$ million</i>	balance after revised allocation <i>HK\$ million</i>	
Financing the capital input and upfront costs to upcoming projects	36.0	36.0	36.0	—	—
Purchase of surety bonds	13.0	—	—	—	—
Increasing the employed capital of the Group	11.4	11.4	11.4	—	—
Repayment of current bank borrowings of the Group	4.3	4.3	4.3	—	—
Employing additional staff	3.3	3.3	3.3	—	—
Investing in building information modelling software	0.5	0.5	—	0.5	End of 2021
General working capital of the Group	7.4	7.4	7.4	—	—
Financing the Property Development and Investment Business in Japan	—	13.0	13.0	—	—
	<u>75.9</u>	<u>75.9</u>	<u>75.4</u>	<u>0.5</u>	

Prospects

The Government forecasts Hong Kong's economy to decline by 4% to 7% in 2020. The management expect that fiscal year 2020 will remain to be very challenging to the Group's business due to the prolonged outbreak of COVID-19. The Group will continue to implement tight cost control measures, such as salary adjustment and reduction on administrative expenses, so as to minimize the impact of the economic uncertainties and maintain the Group's competitiveness in the construction industry. We will also keep exploring various potential business opportunities that will broaden our sources of revenue so that our shareholders' return can be maximized.

Foreign Exchange Exposure

As at 30 September 2020 and for the period ended 30 September 2020, most of the assets, liabilities, income and expenditures of the Group are denominated in Hong Kong dollars ("HK\$") (being the functional currency of the Group) and United States dollars ("US\$") (being the currency that HK\$ pegged to under the Linked Exchange Rate System in Hong Kong) and hence, the Group does not have any material foreign exchange exposure. The Group has not implemented nor entered into any types of instruments or arrangements to hedge against currency exchange fluctuations.

Significant Investment, Material Acquisition and Disposal of Subsidiaries and Associated Companies

During the period ended 30 September 2020, the Group took out the HSBC Life Insurance and placed an initial single premium of US\$1,494,337 (equivalent to approximately HK\$11.7 million) thereunder with HSBC Life (International) Ltd. The HSBC Life Insurance is a life insurance of Mr. Leung Kam Fai as the insured person and the beneficiary is Milestone Builder. The HSBC Life Insurance shall be classified as a financial asset at fair value through profit or loss in the consolidated financial statements. For more details, reference is made to the announcement of the Company dated 22 May 2020. As at 30 September 2020, the carrying amount of the insurance policy was amounting to approximately HK9.6 million.

Save as disclosed above, there were no significant investments held, material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 September 2020.

Capital Commitments

As at 30 September 2020, the Group had no material capital commitments.

Lease Commitments

Details of the lease commitments are set out in Note 14 to the interim condensed consolidated financial information.

Contingent Liabilities

Save as disclosed in Note 15 of this interim condensed consolidated financial information, the Group had no other contingent liabilities as at 30 September 2020.

Event after the Reporting Period

Sale and Purchase Agreement and Mandatory Unconditional Cash Offer in relation to the shares of the Company

On 15 October 2020, the Company was informed that, Mr. Leung Kam Fai, Mr. Lam Ka Ho and Mr. Leung Chin Hung Aaron (the “Vendors”) entered into the Sale and Purchase Agreement (the “Agreement”) with Smart Excel Group Limited (“Smart Excel”) (as purchaser), in relation to the sale and purchase of an aggregate of 594,600,000 Shares (i.e. the “Shares”), representing approximately 61.94% of the total issued share capital of the Company, for a total consideration of HK\$167.2 million (equivalent to HK\$0.28125 per Share).

Under the Agreement, Smart Excel agreed to acquire 594,600,000 Shares, representing approximately 61.94% of the total issued share capital. Completion took place immediately upon signing on 15 October 2020 and the consideration was fully settled by cash on the same day.

Pursuant to Rule 26.1 of the Hong Kong Codes on Takeovers and Mergers, Smart Excel is required to make mandatory unconditional cash offer (the “Offer”) for all the issued shares (other than those already owned or agreed to be acquired by Smart Excel and the parties acting in concert with it).

Please refer to the announcements of the Company dated 29 October 2020, 19 November 2020 and 25 November 2020 and the Company for further information relating to the Agreement and the Offer.

Winding Up Petition against the Company

In relation to payment disputes in the amount of approximately HK\$5.0 million (the “Alleged Debt”) arising out of a nominated subcontract, Yau Kwong Contracting Ltd (the “Petitioner”), for alteration and addition works in Hong Kong, the Group received a petition filed by Yau Kwong Contracting Ltd to the High Court of the Hong Kong Special Administrative Region (the “High Court”) for the winding up of Milestone Builder. On 3 November 2020, the Group has fully settled the Alleged Debt together with interest. In connection with the Petition, the Group and the Petitioner had taken out a consent summons on 9 November 2020 to apply for leave to withdraw the Petition. On 26 November 2020, the Group received the sealed court order from the High Court in which the High Court has ordered, among other things, that leave be granted for the Petitioner to withdraw the Petition. For further details, please refer to the Company’s announcements dated 10 November 2020 and 26 November 2020.

Employees and Remuneration Policy

As at 30 September 2020, the Group had 113 employees, including 86 staff and 27 workers (31 March 2020: 127 employees, including 86 staff and 41 workers). The remuneration policy and package of the Group's employees were periodically reviewed. Apart from Mandatory Provident Fund, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance. The total staff costs incurred by the Group during the six months ended 30 September 2020 was approximately HK\$24.7 million (six months ended 30 September 2019: approximately HK\$31.1 million).

Share Option Scheme

A share option scheme (the "Scheme") was conditionally adopted pursuant to a shareholders' written resolution of the Company passed on 13 March 2017 for the purpose of recognising and motivating the contributions that the eligible participants have made or may make to the Group.

No share options have been granted, exercised or cancelled under the Scheme since its adoption date and up to the date of this interim announcement and the total number of shares available for grant under the scheme was 80,000,000 shares, representing 8.3% of the issued share capital of the Company as at the date of this interim announcement.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Dividends

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

Corporate Governance Practices

During the six months ended 30 September 2020, the Company has applied the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Board is of the opinion that throughout the period ended 30 September 2020, the Company had complied with the applicable code provisions as set out in the CG Code except for the deviation from code provision A.2.1 of the CG Code.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Leung Kam Fai, the Chairman who performs the duty of chief executive officer since the Listing Date under code provision A.2.1 of the CG Code, is responsible for the financial and operational aspects of our Group and the formulation of business development strategies of our Group. The Board believes that vesting the roles of both Chairman and chief executive officer in Mr. Leung Kam Fai has the benefit of ensuring consistent and continuous planning and execution of the Company's strategies. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired in light of the diverse background and experience of the independent non-executive Directors, and the composition of the Board which comprises four independent non-executive Directors and two executive Directors also provides added independence to the Board. Further, the audit committee of the Company (the "Audit Committee") composed exclusively of independent non-executive Directors has free and direct access to the Company's external auditors and independent professional advisers when it considers necessary.

Directors' Securities Transactions

The Company has adopted the Model Code and all the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 September 2020 in response to the specific enquiry made by the Company.

The Board has established written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the securities of the Company as required under the CG Code. No incident of non-compliance of such guidelines by the relevant employees was noted by the Company.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 September 2020.

Audit Committee

The Company has established the Audit Committee which currently consists of three independent non-executive Directors with written terms of reference which deal clearly with its authority and duties.

The Group's interim condensed consolidated financial information for the six months ended 30 September 2020 have been reviewed by the Audit Committee.

Publication of Interim announcement

The interim announcement for the six months ended 30 September 2020 containing all relevant information required by the Listing Rules will be despatched to shareholders of the Company and published on the designated website of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.milestone.hk) in due course.

By Order of the Board
Milestone Builder Holdings Limited
Leung Kam Fai
Chairman and Executive Director

Hong Kong, 30 November 2020

As at the date of this announcement, the executive directors of the Company are Mr. Leung Kam Fai (Chairman) and Mr. Lam Ka Ho, and the independent non-executive directors of the Company are Mr. Keung Kwok Hung, Ms. Lau Suk Han Loretta, Mr. Wong Chun Tai and Mr. Fong Man Fu Eric.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The English text of this announcement shall prevail over its Chinese text.