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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

RESULTS HIGHLIGHTS

- Revenue for the year ended 31 March 2019 was approximately HK\$491.8 million, representing a decrease of 7.6% from approximately HK\$532.1 million for the year ended 31 March 2018.
- Gross profit for the year ended 31 March 2019 was approximately HK\$62.4 million, representing a decrease of 12.7% from approximately HK\$71.5 million for the year ended 31 March 2018.
- Administrative expenses for the year ended 31 March 2019 were approximately HK\$40.6 million, representing a decrease of 20.5% from approximately HK\$51.1 million for the year ended 31 March 2018, mainly due to (i) decrease in staff welfare and messing of approximately HK\$3.1 million; (ii) decrease in travelling expenses of approximately HK\$2.4 million; (iii) decrease in staff costs of approximately HK\$1.7 million during the year.
- Profit attributable to the owners of the Company for the year ended 31 March 2019 was approximately HK\$14.7 million, representing a decrease of 5.8% from approximately HK\$15.6 million for the year ended 31 March 2018.

FINANCIAL RESULTS

The board of directors (the “Board” or the “Directors”) of Milestone Builder Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group” or “our Group” or “we” or “our”) for the year ended 31 March 2019 together with comparative figures for the previous financial year ended 31 March 2018, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	<i>Note</i>	Year ended 31 March	
		2019	2018
		HK\$'000	HK\$'000
			<i>(Restated)</i>
			<i>(Note 2.1)</i>
Revenue	4	491,839	532,127
Cost of sales	5	<u>(429,415)</u>	<u>(460,614)</u>
Gross profit		62,424	71,513
Other income	4	563	517
Other gains/(losses), net		31	(105)
Administrative expenses	5	(40,559)	(51,062)
Fair value gains on investment properties	8	<u>1,200</u>	<u>2,184</u>
Operating profit		<u>23,659</u>	<u>23,047</u>
Finance income		101	135
Finance costs		<u>(5,916)</u>	<u>(2,826)</u>
Finance costs, net		<u>(5,815)</u>	<u>(2,691)</u>
Share of results of investments accounted for using the equity method		<u>(769)</u>	<u>(209)</u>
Profit before income tax		17,075	20,147
Income tax expenses	6	<u>(2,409)</u>	<u>(4,560)</u>
Profit attributable to the owners of the Company		<u>14,666</u>	<u>15,587</u>

		Year ended 31 March	
		2019	2018
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)
			(Note 2.1)
Other comprehensive income/(loss), net of tax			
<i>Item that may be subsequently reclassified to profit or loss</i>			
	Share of other comprehensive loss of investments accounted for using the equity method	(22)	—
<i>Item that will not be subsequently reclassified to profit or loss</i>			
	Revaluation surplus upon transfers of property, plant and equipment to investment properties	<u>3,501</u>	<u>7,097</u>
Total comprehensive income attributable to the owners of the Company		<u>18,145</u>	<u>22,684</u>
		<i>HK cents per share</i>	<i>HK cents per share</i>
Earnings per share for profit attributable to the owners of the Company:			
	Basic	7 <u>1.83</u>	<u>1.96</u>
	Diluted	7 <u>1.83</u>	<u>1.96</u>

CONSOLIDATED BALANCE SHEET

As at 31 March 2019

	<i>Note</i>	As at 31 March		
		2019	2018	2017
		HK\$'000	HK\$'000	HK\$'000
			(Restated)	(Restated)
			(Note 2.1)	(Note 2.1)
ASSETS				
Non-current assets				
Investment properties	8	22,610	16,048	1,564
Property, plant and equipment		2,956	7,638	15,665
Investments accounted for using the equity method		—	791	—
Deferred income tax assets		494	1,849	1,335
Long-term deposits	9	80	660	660
Total non-current assets		<u>26,140</u>	<u>26,986</u>	<u>19,224</u>
Current assets				
Amounts due from investments accounted for using the equity method		37,916	1,010	—
Amounts due from related companies		2,393	3,135	3,276
Trade, retention and other receivables, deposits and prepayments	9	95,025	86,831	92,343
Amounts due from customers for contract works	10(a)	—	164,448	111,644
Contract assets	10(b)	242,257	—	—
Current income tax recoverable		9,251	1,291	4,583
Pledged deposits		26,026	16,013	5,000
Cash and bank balances		19,747	30,682	11,988
Total current assets		<u>432,615</u>	<u>303,410</u>	<u>228,834</u>
Total assets		<u>458,755</u>	<u>330,396</u>	<u>248,058</u>

				As at 31 March		
				2019	2018	2017
<i>Note</i>	HK\$'000	HK\$'000	HK\$'000			
				(Restated)		(Restated)
				(Note 2.1)		(Note 2.1)
EQUITY						
Capital and reserves attributable to the owners of the Company						
Share capital	80,000	80,000	1			
Reserves	62,009	83,592	50,517			
Total equity	<u>142,009</u>	<u>163,592</u>	<u>50,518</u>			
LIABILITIES						
Non-current liabilities						
Loan from a shareholder	8,750	—	—			
Obligations under finance leases	367	696	1,131			
Deferred income tax liabilities	362	476	908			
Total non-current liabilities	<u>9,479</u>	<u>1,172</u>	<u>2,039</u>			
Current liabilities						
Amount due to an investment accounted for using the equity method	267	169	—			
Amount due to a related company	444	—	10			
Amounts due to customers for contract works	—	5,695	13,883			
Contract liabilities	7,867	—	—			
Trade and other payables and accruals	167,942	96,782	119,652			
Current income tax payables	6	67	—			
Current portion of obligations under finance leases	512	876	1,136			
Borrowings	130,229	62,043	60,820			
Total current liabilities	<u>307,267</u>	<u>165,632</u>	<u>195,501</u>			
Total liabilities	<u>316,746</u>	<u>166,804</u>	<u>197,540</u>			
Total equity and liabilities	<u>458,755</u>	<u>330,396</u>	<u>248,058</u>			

NOTES

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 P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, 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”).

These consolidated financial statements are presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for the investment properties which are measured at fair values (Notes 2.1(c) and 8).

The preparation of the financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

2.1 Changes in accounting policies and disclosures

(a) *New and amended standards adopted by the Group*

A number of new or amended standards became applicable for the current reporting period. Of these, the following are relevant to the Group’s consolidated financial statements.

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers

The other standards did not have material impact on the Group’s accounting policies and did not require any adjustments.

The below explains the impact of adoption of HKFRS 9 Financial Instruments (“HKFRS 9”) and HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) on the Group’s consolidated financial statements.

(i) *HKFRS 9 Financial Instruments*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies as described below.

Classification and measurement of financial instruments

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

The financial assets held by the Group represent debt instruments previously classified as loans and receivables and measured at amortised cost, meet the conditions for classification at amortised cost under HKFRS 9. Accordingly, there is no impact on the Group's accounting for financial assets.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

Impairment of financial assets and contract assets

The Group has three types of assets that are subject to HKFRS 9's new expected credit loss model:

- trade and retention receivables;
- contract assets; and
- other financial assets carried at amortised cost

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While bank balances and pledged deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade and retention receivables and contract assets

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade and retention receivables and contract assets. To measure the expected credit losses, receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance.

Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customers and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The expected loss rates are determined based on

the historical credit losses experienced and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables.

Management has closely monitored the credit qualities and the collectability of the trade and retention receivables and contract assets. The adoption of the simplified expected credit loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade and retention receivables and contract assets as at 1 April 2018.

Other financial assets carried at amortised cost

For other financial assets carried at amortised cost, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the balance sheet date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the expected credit loss is immaterial.

(ii) *HKFRS 15 Revenue from contracts with customers*

The adoption of HKFRS 15 from 1 April 2018 resulted in changes in measurement to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 15, HKFRS 15 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the remeasurement of the contract revenue and cost are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening consolidated balance sheet on 1 April 2018.

The adoption of HKFRS 15 from 1 April 2018 resulted in changes in accounting policies as described below.

Timing of revenue recognition

In previous reporting period, revenue from construction contract is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as a cost of sales by reference to the stage of completion of the contract activity at the balance sheet date.

The Group uses the “percentage of completion” method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to work performed up to the balance sheet date as a percentage of total contract value, or the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

Under HKFRS 15, the revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs; or
- direct measurements of the value transferred by the Group to the customer.

Construction costs are recognised as expenses by reference to the progress towards complete satisfaction of the performance obligation of the contract activity at balance sheet date.

Accounting for contract modifications

In previous reporting period, variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

Under HKFRS 15, the Group accounts for a modification if the customers to a contract approve a change in the scope and/or the price of a contract. If the customers have approved a change in scope, but have not yet determined the corresponding change in price, the Group estimates the change to the contract price as a variable consideration.

The estimated amount of the variable consideration is included in the contract price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable considerations is subsequently resolved.

Presentation for contract assets and contract liabilities

Reclassifications were made as at 1 April 2018 to be consistent with the terminology used under HKFRS 15. 'Contract assets' for the unbilled amount recognised in relation to construction contracts were previously presented as 'amounts due from customers for contract work'. 'Contract liabilities' for the advanced proceed received from customers recognised in relation to construction contracts were previously presented as 'amounts due to customers for contract works'.

The effect of the adoption of HKFRS 15 to the opening consolidated balance sheet on 1 April 2018 is as follows:

	As at 1 April 2018 HK\$'000
Effect on consolidated balance sheet	
Increase in deferred income tax assets	4,204
Decrease in amounts due from customers for contract works	164,448
Increase in contract assets	125,242
Increase in income tax recoverable	3,322
Decrease in retained earnings	39,728
Decrease in deferred income tax liabilities	452
Decrease in amounts due to customers for contract works	5,695
Increase in contract liabilities	14,291
Decrease in trade and other payables and accruals	224
Increase in current income tax payables	<u>128</u>

Please refer to Note 2.1(d) for details of the reclassifications and the adjustments.

(b) *New standards and interpretations not yet adopted*

HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the balance sheet date, the Group has non-cancellable operating lease commitments of HK\$3,238,000, see Note 14(a). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The Group will apply the standard from its mandatory adoption date of 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards and interpretations that are not yet effective that would be expected to have a material impact on the entity's consolidated financial statements.

(c) *Change in accounting policy of investment properties from cost model to fair value model*

In previous years, the Group's investment properties were carried at historical cost less accumulated depreciation in the consolidated balance sheet.

Due to continual expansion of the Group into the property development and investment business and the investment properties portfolio of the Group, the directors reassessed the appropriateness of this accounting policy during the year and concluded that by using the fair value model under HKAS 40 for investment properties, the consolidated financial statements would provide reliable and more relevant information about the Group's results and financial position.

Consequently, the Group changed its accounting policy on investment properties to follow the fair value model under HKAS 40 during the year.

When an owner-occupied property becomes an investment property carried at fair value because of change in use, any decrease in the carrying amount of the property is recognised in the consolidated statement of comprehensive income. For any increase in the carrying amount of the property, the revaluation gain/surplus shall first reverse any previous impairment loss for that property in the consolidated statement of comprehensive income. The remaining portion of the increase is recognised in other comprehensive income and increases the revaluation reserve within equity. The revaluation reserve in equity may be transferred to retained earnings upon disposal of the investment property.

The change in accounting policy of investment properties from cost model to fair value model have been accounted for retrospectively. The comparative figures as at 31 March 2017 and 2018 have been restated to reflect the change in accounting policy.

The effect of the change in accounting policy to the consolidated balance sheet as at 31 March 2017 and 2018 is as follows:

	As at 31 March	
	2018	2017
	HK\$'000	HK\$'000
Effect on consolidated balance sheet		
Increase in investment properties	10,282	910
Increase in revaluation reserve	8,007	910
Increase/(decrease) in retained earnings	2,127	(11)
Increase in deferred income tax liabilities	<u>148</u>	<u>11</u>

The effect of the change in accounting policy to the consolidated statement of comprehensive income for the year ended 31 March 2018 is as follows:

	Year ended 31 March 2018 <i>HK\$'000</i>
Effect on consolidated statement of comprehensive income	
Decrease in depreciation	91
Increase in fair value gains on investment properties	2,184
Increase in income tax expenses	<u>(137)</u>
 Increase in profit attributable to the owners of the Company	 <u><u>2,138</u></u>
 Increase in revaluation surplus upon transfers of property, plant and equipment to investment properties	 <u><u>7,097</u></u>
 Increase in basic earnings per share (HK cents)	 0.27
Increase in diluted earnings per share (HK cents)	<u><u>0.27</u></u>

Please refer to Note 2.1(d) for details of the adjustments recognised in the consolidated balance sheet as at 31 March 2018.

(d) *Impact on the consolidated financial statements*

The following table shows the adjustments in relation to the change in accounting policy of investment properties from cost model to fair value model (Note 2.1(c)) and the adoption of HKFRS 15 (Note 2.1(a)(ii)) recognised for each individual line item in the consolidated balance sheet as at 31 March 2018 and 1 April 2018 (date of adoption of HKFRS 15):

	As at 31 March 2018, as originally presented <i>HK\$'000</i>	Effect of the change in accounting policy of investment properties from cost model to fair value model <i>HK\$'000</i>	As at 31 March 2018, as restated <i>HK\$'000</i>	Effect of the adoption of HKFRS 15 <i>HK\$'000</i>	As at 1 April 2018, as restated <i>HK\$'000</i>
Consolidated balance sheet					
Investment properties	5,766	10,282	16,048	—	16,048
Deferred income tax assets	1,849	—	1,849	4,204	6,053
Amounts due from customers for contract works	164,448	—	164,448	(164,448)	—
Contract assets	—	—	—	125,242	125,242
Current income tax recoverable	1,291	—	1,291	3,322	4,613
Revaluation reserve	—	8,007	8,007	—	8,007
Retained earnings	55,878	2,127	58,005	(39,728)	18,277
Deferred income tax liabilities	328	148	476	(452)	24
Amounts due to customers for contract works	5,695	—	5,695	(5,695)	—
Contract liabilities	—	—	—	14,291	14,291
Trade and other payables and accruals	96,782	—	96,782	(224)	96,558
Current income tax payables	67	—	67	128	195

For the current reporting period, the application of HKFRS 15 as compared to HKAS 11 resulted in the increase in revenue, increase in cost of sales, derecognition of amounts due from/to customers for contract works, recognition of contract assets/liabilities and decrease in retained earnings. Saved as disclosed above, there is no other significant impact to the consolidated financial statements for the year ended 31 March 2019 in relation to the application of HKFRS 15 as compared to HKAS 11.

(e) *Change in the presentation of the consolidated statement of comprehensive income*

In the current year following the continual expansion of the Group into the property development and investment business, the rental income of HK\$333,000 (2018: HK\$272,000) is reclassified to ‘revenue’ instead of being included under ‘other income’ in the consolidated statement of comprehensive income as in the previous years. The direct operating expenses arising from investment properties that generate the rental income of HK\$91,000 (2018: HK\$38,000) is reclassified to ‘cost of sales’ instead of being included under ‘administrative expenses’ in the consolidated statement of comprehensive income as in the previous years.

The management believes that the current presentation will provide more relevant information to the users of the financial information for the evaluation of the Group’s operating performance. The comparative figures have been reclassified to conform with current year’s presentation.

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.

Due to continual expansion of the Group into the property development and investment business, management has changed its internal organisation structure to align more closely with the Group’s strategic decision and market dynamics to better serve customers. In particular, a separate business unit has been set up for property development and investment business. The Group has adopted the new organisation structure as the reporting format effective for the year ended 31 March 2019. The comparative segment information has been restated to reflect the current organisation structure.

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”).

An analysis of the Group's revenue and results for the year 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>
Year ended 31 March 2019			
Segment turnover	<u>491,506</u>	<u>333</u>	<u>491,839</u>
Segmental EBITDA (excluding fair value gains on investment properties and share of results of investments accounted for using the equity method)	<u>25,028</u>	<u>242</u>	<u>25,270</u>
Depreciation	(2,811)	—	(2,811)
Fair value gains on investment properties	—	1,200	1,200
Share of results of investments accounted for using the equity method	<u>—</u>	<u>(769)</u>	<u>(769)</u>
Segmental operating profit	<u>22,217</u>	<u>673</u>	<u>22,890</u>
Finance costs, net			<u>(5,815)</u>
Profit before income tax			17,075
Income tax expenses			<u>(2,409)</u>
Profit attributable to the owners of the Company			<u><u>14,666</u></u>
Year ended 31 March 2018 (Restated)			
Segment turnover	<u>531,855</u>	<u>272</u>	<u>532,127</u>
Segmental EBITDA (excluding fair value gains on investment properties and share of results of investments accounted for using the equity method)	<u>24,023</u>	<u>234</u>	<u>24,257</u>
Depreciation	(3,394)	—	(3,394)
Fair value gains on investment properties	—	2,184	2,184
Share of results of investments accounted for using the equity method	<u>—</u>	<u>(209)</u>	<u>(209)</u>
Segmental operating profit	<u>20,629</u>	<u>2,209</u>	<u>22,838</u>
Finance costs, net			<u>(2,691)</u>
Profit before income tax			20,147
Income tax expenses			<u>(4,560)</u>
Profit attributable to the owners of the Company			<u><u>15,587</u></u>

The segment assets and liabilities at 31 March 2019 and additions to non-current assets for the year ended 31 March 2019 are as follows:

	Construction and engineering services HK\$'000	Property development and investment HK\$'000	Total Group HK\$'000
As at 31 March 2019			
Segment assets	<u>398,229</u>	<u>60,526</u>	<u>458,755</u>
Segment liabilities	<u>316,479</u>	<u>267</u>	<u>316,746</u>
Year ended 31 March 2019			
Additions to non-current assets (excluding investments accounted for using the equity method, deferred income tax assets and long-term deposits)	<u>709</u>	<u>—</u>	<u>709</u>

The segment assets and liabilities at 31 March 2018 and additions to non-current assets for the year ended 31 March 2018 are as follows:

	Construction and engineering services HK\$'000	Property development and investment HK\$'000	Total Group HK\$'000
As at 31 March 2018 (Restated)			
Segment assets	<u>312,547</u>	<u>17,849</u>	<u>330,396</u>
Segment liabilities	<u>166,635</u>	<u>169</u>	<u>166,804</u>
Year ended 31 March 2018 (Restated)			
Additions to non-current assets (excluding investments accounted for using the equity method, deferred income tax assets and long-term deposits)	<u>817</u>	<u>—</u>	<u>817</u>

During the year, additions to non-current assets comprise additions to property, plant and equipment (2018: same).

Information provided to the management is measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment.

All of the Group's activities are carried out in Hong Kong and all of the Group's assets and liabilities are located in Hong Kong. Accordingly, no analysis by geographical basis for the year is presented.

The Group is domiciled in Hong Kong. Revenue of HK\$491,839,000 (2018: HK\$532,127,000 (Restated)) are derived from external customers in Hong Kong for the year ended 31 March 2019.

For the year ended 31 March 2019, there were 2 customers from the construction and engineering operating segment (2018: 3 customers from the construction and engineering operating segment), which individually contributed over 10% of the Group's total revenue. During the years ended 31 March 2018 and 2019, the revenue contributed from each of these customers was as follows:

	Year ended 31 March 2019 HK\$'000
Customer A	132,157
Customer B	<u>120,385</u>
	Year ended 31 March 2018 HK\$'000
Customer C	254,873
Customer D	69,207
Customer A	<u>62,734</u>

4. REVENUE AND OTHER INCOME

The Group's revenue and other income recognised during the years ended 31 March 2018 and 2019 are as follows:

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
		(Restated) (Note 2.1)
Revenue:		
Provision of construction and engineering services		
— Building construction services	66,650	309,510
— Alteration, addition, fitting-out works and building services	409,834	212,455
— Repair and restoration of historic buildings	<u>15,022</u>	<u>9,890</u>
	491,506	531,855
Property development and investment		
— Rental income	<u>333</u>	<u>272</u>
	<u>491,839</u>	<u>532,127</u>
Other income:		
Sundry income	<u>563</u>	<u>517</u>

5. EXPENSES BY NATURE

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

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
		(Restated)
		(Note 2.1)
Construction cost recognised in cost of sales	429,146	460,315
Auditor's remuneration		
— Audit services	1,635	1,750
— Non-audit services	165	108
Depreciation of property, plant and equipment	2,811	3,394
Employee benefit expenses recognised in administrative expenses (including directors' emoluments)	17,623	19,359
Operating lease rentals in respect of car parking spaces, office premises and warehouses	3,632	3,134
Staff welfare and messing	571	3,648
Motor vehicle expenses	1,715	2,887
Legal and professional fees	2,915	2,447
Listing expenses	—	821
Building management fees	878	975
Travelling expenses	386	2,767
Others	8,497	10,071
	<u>469,974</u>	<u>511,676</u>
Total cost of sales and administrative expenses	<u>469,974</u>	<u>511,676</u>

6. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year ended 31 March 2019.

The amount of income tax expenses charged to the consolidated statement of comprehensive income represents:

	Year ended 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated) (Note 2.1)
Current tax:		
Hong Kong profits tax on profits for the year	2,584	4,221
(Over)/under-provision in prior years	(214)	1,285
	<u>2,370</u>	<u>5,506</u>
Total current tax expenses	2,370	5,506
Deferred income tax	39	(946)
	<u>39</u>	<u>(946)</u>
Income tax expenses	2,409	4,560
	<u>2,409</u>	<u>4,560</u>

The tax on the Group's profit before income tax differs from the theoretical amount that used arise using the enacted tax rate as follows:

	Year ended 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated) (Note 2.1)
Profit before income tax	17,075	20,147
	<u>17,075</u>	<u>20,147</u>
Tax calculated at 16.5%	2,817	3,324
Income not subject to tax	(211)	(366)
Expenses not deductible for tax purposes	182	317
Effect of different tax rate of a subsidiary (Note)	(165)	—
(Over)/under-provision in prior years	(214)	1,285
	<u>(214)</u>	<u>1,285</u>
Income tax expenses	2,409	4,560
	<u>2,409</u>	<u>4,560</u>

Note: 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 assessable profits of qualifying corporation under Hong Kong profits tax will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%.

For the year ended 31 March 2019, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The assessable profits of other entities of the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5%.

7. EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 March	
	2019	2018
		(Restated)
		(Note 2.1)
Earnings:		
Profit attributable to the owners of the Company (HK\$'000)	<u>14,666</u>	<u>15,587</u>
Number of shares:		
Weighted average number of ordinary shares in issue (thousands)	<u>800,000</u>	<u>796,712</u>
Basic earnings per share (HK cents)	<u>1.83</u>	<u>1.96</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive shares.

For the year ended 31 March 2019, diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive share outstanding during the year.

For the year ended 31 March 2018, the Company has one category of potentially dilutive shares, the over-allotment option (“Over-allotment Option”). Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company’s shares for the period from the listing date (7 April 2017) to the lapse date of the Over-allotment Option (27 April 2017)) based on the monetary value of the subscription right attached to outstanding Over-allotment Option. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the Over-allotment Option.

	Year ended 31 March 2018 (Restated) (Note 2.1)
Earnings:	
Profit attributable to the owners of the Company (HK\$’000)	<u>15,587</u>
Number of shares:	
Weighted average number of ordinary shares in issue (thousands)	796,712
Effect of potentially dilutive shares from Over-allotment Option granted	<u>28</u>
Weighted average number of ordinary shares in issue for the purpose of calculating diluted earnings per share (thousands)	<u>796,740</u>
Diluted earnings per share (HK cents)	<u>1.96</u>

8. INVESTMENT PROPERTIES

	For the year ended 31 March		
	2019	2018	2017
	HK\$’000	HK\$’000	HK\$’000
		(Restated)	(Restated)
		(Note 2.1)	(Note 2.1)
At beginning of the year, as originally presented	5,766	654	—
Change in accounting policy of investment properties from cost model to fair value model (Note 2.1(c))	<u>10,282</u>	<u>910</u>	<u>—</u>
At beginning of the year, as restated	16,048	1,564	—
Transferred from property, plant and equipment	5,362	12,300	1,564
Fair value gains on investment properties	<u>1,200</u>	<u>2,184</u>	<u>—</u>
At end of the year, as restated	<u>22,610</u>	<u>16,048</u>	<u>1,564</u>

9. TRADE, RETENTION AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Current portion		
Trade receivables (<i>Note (a)</i>)	43,770	47,151
Retention receivables (<i>Note (b)</i>)	<u>43,329</u>	<u>34,956</u>
	----- 87,099	----- 82,107
Prepayments, deposits and other receivables:		
Prepayments	3,619	1,003
Deposits	1,768	2,140
Other receivables	<u>2,539</u>	<u>1,581</u>
	----- 7,926	----- 4,724
	----- 95,025	----- 86,831
Non-current portion		
Long-term deposits	<u>80</u>	<u>660</u>
Total	<u>95,105</u>	<u>87,491</u>

The carrying amounts of trade, retention and other receivables and deposits are denominated in HK\$ and approximate 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 31 March	
	2019	2018
	HK\$'000	HK\$'000
Less than 30 days	25,383	42,512
31–60 days	13,324	1,282
61–90 days	446	1,440
Over 90 days	<u>4,617</u>	<u>1,917</u>
	----- 43,770	----- 47,151

The Group does not hold any collateral as security.

(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 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 31 March	
	2019	2018
	HK\$'000	HK\$'000
Will be recovered within twelve months	10,609	4,666
Will be recovered more than twelve months after the end of the year	32,720	30,290
	<u>43,329</u>	<u>34,956</u>

The Group does not hold any collateral as security.

10. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS AND CONTRACT ASSETS/ (LIABILITIES)

(a) Amounts due from/(to) customers for contract works

	As at 31 March 2018 HK\$'000
Contract costs incurred plus recognised profits less recognised losses	1,392,199
Less: progress billings	<u>(1,233,446)</u>
Balance at end of year	<u>158,753</u>
Analysed for reporting purposes as:	
Amounts due from customers for contract works	164,448
Amounts due to customers for contract works	<u>(5,695)</u>
	<u>158,753</u>

(b) **Contract assets/(liabilities)**

	As at	
	31 March	1 April
	2019	2018
	HK\$'000	HK\$'000
		(Restated)
		(Note 2.1)
Contract assets relating to construction contracts	<u>242,257</u>	<u>125,242</u>
Contract liabilities relating to construction contracts	<u>(7,867)</u>	<u>(14,291)</u>

(i) ***Significant changes in contract assets and liabilities***

Contract assets have increased as the Group has provided more construction services ahead of the right to payment upon receiving certification from quantity surveyors for fixed-price contracts. The Group also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. As at 31 March 2019, the identified impairment loss was immaterial.

Contract liabilities for the construction contracts were decreased due to the negotiation of smaller prepayments on overall contract activities.

(ii) ***Revenue recognised in relation to contract liabilities***

The following table shows how much of the revenue recognised during the year ended 31 March 2019 relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in previous periods.

	For the year
	ended
	31 March
	2019
	HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	<u>11,924</u>

(iii) *Unsatisfied performance obligations*

The following table shows unsatisfied performance obligations resulting from fixed-price long-term construction contracts.

	As at	
	31 March 2019 HK\$'000	1 April 2018 HK\$'000
Aggregate amount of the transaction price allocated to long-term construction contracts that are partially or fully unsatisfied	<u>257,903</u>	<u>654,049</u>

Management expects that the transaction prices regarding the unsatisfied contracts as of 31 March 2019 will be recognised as revenue during the next corresponding reporting periods by referencing to the progress toward complete satisfaction of the performance obligations. The amount disclosed above does not include consideration which is constrained.

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Trade payables (<i>Note (a)</i>)	122,568	64,965
Bills payables (<i>Note (b)</i>)	<u>34,746</u>	<u>21,506</u>
	157,314	86,471
Other payables and accruals (<i>Note (c)</i>)	<u>10,628</u>	<u>10,311</u>
	<u>167,942</u>	<u>96,782</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 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	48,368	33,832
31–60 days	21,951	15,787
61–90 days	15,166	2,892
Over 90 days	37,083	12,454
	<u>122,568</u>	<u>64,965</u>

(b) Bills payables

The balance represents bank acceptance notes with maturity dates within six months.

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

	As at 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due within 30 days	8,232	4,948
Due within 31 to 60 days	10,179	11,790
Due within 61 to 90 days	15,735	4,768
Due over 90 days	600	—
	<u>34,746</u>	<u>21,506</u>

(c) Other payables and accruals

	As at 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued staff costs and pension obligations	6,946	7,274
Accrued expenses	3,373	2,746
Other payables	309	291
	<u>10,628</u>	<u>10,311</u>

12. BORROWINGS AND LOAN FROM A SHAREHOLDER

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Bank borrowings	115,064	59,132
Bank overdrafts	<u>15,165</u>	<u>2,911</u>
Total bank borrowings and overdrafts (<i>Note (i)</i>)	<u><u>130,229</u></u>	<u><u>62,043</u></u>
Loan from a shareholder (<i>Note (ii)</i>)	<u><u>8,750</u></u>	<u><u>—</u></u>

Note i:

The Group's borrowings were repayable as follows:

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Portion due for repayment within 1 year	120,927	61,391
Portion due for repayment between 1 and 2 years with a repayment on demand clause	3,370	334
Portion due for repayment between 2 and 5 years with a repayment on demand clause	<u>5,932</u>	<u>318</u>
	<u><u>130,229</u></u>	<u><u>62,043</u></u>

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

Bank borrowings due for repayment, based on the scheduled repayment dates set out in the loan agreements and without taking into account the effect of any repayment on demand clause are as follows:

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Within 1 year	105,762	58,480
Between 1 and 2 years	3,370	334
Between 2 and 5 years	<u>5,932</u>	<u>318</u>
	<u><u>115,064</u></u>	<u><u>59,132</u></u>

As at 31 March 2019, the bank borrowings facilities granted to the Group are secured by the following:

- (a) Pledged deposits of HK\$26,026,000;
- (b) The Group's investment properties amounting to HK\$22,610,000 (Note 8); and
- (c) Corporate guarantees executed by the Company and certain subsidiaries of the Group.

As at 31 March 2018, the bank borrowings facilities granted to the Group are secured by the following:

- (a) Pledged deposits of HK\$16,013,000;
- (b) The Group's investment properties amounting to HK\$3,718,000 (Restated) (Note 8);
- (c) The Group's land and building amounting to HK\$1,923,000;
- (d) A pledged property of a related company located in Hong Kong; and
- (e) Corporate guarantees executed by the Company.

The carrying amounts of bank borrowings approximate their fair values.

These borrowings 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 4.4% per annum (2018: 4.2% per annum) as at 31 March 2019.

As at 31 March 2018 and 2019, the exposure of the Group's borrowings to interest rate changes and the contractual repricing date at balance sheet date are as follows:

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Within 6 months	107,612	52,250
Between 6 and 12 months	10,000	8,819
Between 1 and 5 years	12,617	974
	<u>130,229</u>	<u>62,043</u>

The carrying amounts of the Group's borrowings are denominated in HK\$.

As at 31 March 2019, total undrawn bank facilities amounted to approximately HK\$44,819,000 (2018: HK\$28,171,000).

Note ii:

These balances are unsecured, interest bearing at 6% per annum or at 0.75% plus prime rate per annum, whichever is higher, repayable by 14 March 2021 and denominated in HK\$.

13. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: same).

No interim or final dividend was paid or proposed for the year ended 31 March 2019. The dividends declared and paid by the Company during the year ended 31 March 2018 were as follows:

	Year ended 31 March 2018 <i>HK\$'000</i>
Dividends	<u>2,400</u>

During the year ended 31 March 2018, the Company paid final dividend of HK\$0.3 cent per share (amounting to HK\$2,400,000) relating to the year ended 31 March 2017.

14. COMMITMENTS

(a) Operating lease commitments — Group company as lessee

The Group leases car parking spaces, office premises, staff quarters and warehouses under non-cancellable operating lease agreements. As at 31 March 2019, the original lease terms are ranged from 1 to 3 years (2018: ranged from 2 to 3 years) and the lease arrangements are renewable at the end of the lease period at market rate (2018: same). The operating lease rentals have been included in the consolidated statement of comprehensive income (Note 5).

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

	As at 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
No later than 1 year	2,638	2,846
Later than 1 year and no later than 5 years	<u>600</u>	<u>1,760</u>
	<u>3,238</u>	<u>4,606</u>

(b) Operating lease commitments — Group company as lessor

The Group had contracted with lessees for leasing office premises and a car parking space under non-cancellable operating lease agreements. As at 31 March 2019, the original lease terms are ranged from 6 months to 3 years (2018: same) and the lease arrangements are 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 31 March	
	2019	2018
	HK\$'000	HK\$'000
No later than 1 year	75	262
Later than 1 year and no later than 5 years	<u>—</u>	<u>170</u>
	<u>75</u>	<u>432</u>

15. CONTINGENCIES

At 31 March 2018 and 2019, the Group's contingent liabilities were as follows:

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Surety bonds (<i>Note</i>)	<u>29,883</u>	<u>3,362</u>

Note: As at 31 March 2019, the Group provided guarantees of surety bonds in respect of 5 (2018: 2) 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

The Group 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; and (iv) property development and investment.

Business Review

The following table sets out a breakdown of our total revenue during the year ended 31 March 2019 and the comparative year according to our four major types of services:

	Year ended 31 March			
	2019		2018	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Building construction services	66,650	13.5	309,510	58.2
Alteration, addition, fitting-out works and building services	409,834	83.3	212,455	39.9
Repair and restoration of historic buildings	15,022	3.1	9,890	1.8
Property development and investment	333	0.1	272	0.1
Total	<u>491,839</u>	<u>100.0</u>	<u>532,127</u>	<u>100.0</u>

As at 31 March 2019, there were 3, 41 and 1 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. We had no major projects awarded to us but yet to commence as at 31 March 2019.

As at 31 March 2019, the aggregate amount of revenue expected to be recognised after 31 March 2019 of our on-going projects was approximately HK\$257.9 million.

The following table sets out our completed contracts during the year ended 31 March 2019 with contract sum of HK\$3 million or above:

Particulars of project	Main category of works	Expected project period^(Note 1)
Hong Kong, Zhuhai, Macao bridge ancillary building works	Building construction services	August 2015 to October 2017
Hong Kong, Zhuhai, Macao bridge boundary crossing facilities	Building construction services	July 2016 to August 2017
Hong Kong, Zhuhai, Macao Bridge steel and metal works	Building construction services	July 2016 to August 2017
Upgrading two artificial turfs of an university	Building construction services	December 2016 to March 2018
Plumbing and drainage installation works	Alteration, addition, fitting-out works and building services	March 2016 to June 2017
Replacement of existing lifting machines in Yuen Long	Alteration, addition, fitting-out works and building services	September 2016 to May 2017
Plumbing, sanitaryware and above ground drainage installation in a redevelopment project in Wan Chai	Alteration, addition, fitting-out works and building services	October 2016 to October 2017
Repair works for a school in Mongkok	Alteration, addition, fitting-out works and building services	April 2018 to September 2018
Alteration and addition works to cinemas in Cheung Sha Wan	Alteration, addition, fitting-out works and building services	July 2018 to October 2018
Alteration and addition works for an international school in Tin Wan	Alteration, addition, fitting-out works and building services	September 2018 to November 2018
Improvement work at a plaza and installation of cover for mini-bus stop and covered walkway in Kwai Chung	Alteration, addition, fitting-out works and building services	November 2017 to June 2018
Provision of children's play equipment and facilities for the elderly in sitting-out area in Tuen Mun	Alteration, addition, fitting-out works and building services	January 2017 to December 2017

Particulars of project	Main category of works	Expected project period^(Note 1)
Electrical works for a holiday camp in Sai Kung	Alteration, addition, fitting-out works and building services	September 2016 to December 2017
Improvement work at a sport field of an university	Alteration, addition, fitting-out works and building services	April 2018 to August 2018
Conservation works for the revitalisation at a former magistracy in Fanling	Repair and restoration of historic buildings	July 2016 to May 2017

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 31 March 2019 with contract sum of more than HK\$3 million:

Particulars of project	Main category of works	Expected project period^(Note 1)
Design and build for school extension and improvement projects	Building construction services	August 2016 to August 2018
Residential development in Ting Kau	Building construction services	September 2018 to December 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 project in Kwai Chung	Alteration, addition, fitting-out works and building services	February 2018 to May 2018
Alteration and addition works for a residential building in Yuen Long	Alteration, addition, fitting-out works and building services	August 2018 to August 2019
Electricity works of a water treatment plant in Tai Po	Alteration, addition, fitting-out works and building services	September 2016 to July 2017

Particulars of project	Main category of works	Expected project period^(Note 1)
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
Improvement of conference and meeting facilities in campus of an university	Alteration, addition, fitting-out works and building services	March 2018 to June 2019
Fitting-out works for a market in Tseung Kwan O	Alteration, addition, fitting-out works and building services	March 2018 to July 2018
Alteration and addition works for a school in Western District	Alteration, addition, fitting-out works and building services	March 2018 to August 2019
Alteration and addition works for a project in Yuen Long	Alteration, addition, fitting-out works and building services	March 2017 to June 2018
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
Alteration and addition and renovation works for a project in Fanling	Alteration, addition, fitting-out works and building services	November 2018 to August 2020
Electrical, HVAC, fire service and plumbing and drainage installation for an elderly centre in Sheung Shui	Alteration, addition, fitting-out works and building services	January 2019 to April 2019
Electrical and ACMV installation system in Kai Tak	Alteration, addition, fitting-out works and building services	October 2018 to November 2020

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 31 March 2019, 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	14 October 2020	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 2020	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

Apart from the 'Construction and Engineering Services', the Group has continued to develop the business in 'Property Development and Investment'. The Company currently held properties in Hong Kong for investment purpose. Furthermore, jointly controlled entities ("JV entities") were established for the property development and investment business in Japan. Freehold lands have already been acquired and undergoing construction in Osaka, Japan, reference is made to the announcement of the Company dated 21 March 2018 and 16 April 2018.

Financial Review

Revenue

Revenue for the year ended 31 March 2019 was approximately HK\$491.8 million, representing a decrease of 7.6% from approximately HK\$532.1 million for the year ended 31 March 2018. The decline in our revenue was mainly attributable to the completion of a predominant project.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year ended 31 March 2019 was approximately HK\$62.4 million, representing a decrease of 12.7% from approximately HK\$71.5 million for the year ended 31 March 2018. In addition, the Group's gross profit ratio slightly decreased from approximately 13.4% during year ended 31 March 2018 to approximately 12.7% during the year ended 31 March 2019. The Directors consider that the overall gross profit margin has been maintained at a healthy position throughout the year.

Administrative Expenses

The Group's administrative expenses decreased from approximately HK\$51.1 million during the year ended 31 March 2018 to approximately HK\$40.6 million during the year ended 31 March 2019 and such decrease was mainly attributable to (i) decrease in staff welfare and messing of approximately HK\$3.1 million; (ii) decrease in travelling expenses of approximately HK\$2.4 million; (iii) decrease in staff costs of approximately HK\$1.7 million during the year ended 31 March 2019 as compared with the previous year.

Profit before Income Tax & Net Profit

During the year ended 31 March 2019, the Group reported profit before income tax of approximately HK\$17.1 million (31 March 2018: approximately HK\$20.1 million), representing a decrease of approximately 14.9% as compared with last year.

Net profit of the Group was approximately HK\$14.7 million for the year ended 31 March 2019 (31 March 2018: approximately HK\$15.6 million), representing a decrease of approximately 5.8%.

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 CHARGES ON ASSETS

The total interest bearing borrowings of the Group, including bank loans, loan from a shareholder and finance leases, was approximately HK\$139.9 million as at 31 March 2019 (HK\$63.6 million as at 31 March 2018). These banking facilities were secured by the Group's assets of which details are disclosed in Note 12 to this announcement. Borrowings were denominated mainly in Hong Kong dollars and interest rate of bank borrowings were charged at 4.0%–5.9% 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 31 March 2019, 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 from the shareholders, bank borrowings and net cash generated from the operating activities.

As at 31 March 2019, the Group had cash and bank balances of approximately HK\$19.7 million (31 March 2018: approximately HK\$30.7 million). The Group's gearing ratio and current ratio are as follows:

	As at 31 March	
	2019	2018 (restated)
Current ratio	1.4	1.8
Gearing ratio	<u>46%</u>	<u>17%</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 loan from a shareholder, borrowings and obligation under finance leases, less cash and bank balances) divided by total capital (summation of total equity plus net debt).

The financial resources presently available to the Group include bank borrowings and loan from a shareholder, 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, after deducting related underwriting fees and Listing expenses, of approximately HK\$75.9 million are intended to use and the utilisation of the net proceeds as at 31 March 2019, are set out as follows:

Uses of Net Proceeds	Original	Revised	Utilisation as	Remaining	
	allocation	allocation as			
	9 February	disclosed in	at 31 March	balance after	
	2018	the	2019	revised	
	HK\$ million	announcement	HK\$ million	allocation	
		dated	HK\$ million	HK\$ million	
Financing the capital input and upfront costs to upcoming projects	36.0	9 February 2018	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
General working capital of the Group	7.4		7.4	7.4	—
Financing the Property Development 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 Group believes the construction market in Hong Kong will continue to grow steadily due to the continuing demand for land supply for housing and commercial building developments in both private and public sectors as well as fostering infrastructure development plans in the long term.

We will continue to leverage on our various licenses and qualifications and extensive experience in construction industry and to participate in the forthcoming projects to strengthen our position in the Hong Kong market. We will also continue to invest in human resource, to recruit and provide adequate training to our employees in order to maintain our edge in the market.

The Group has continued to extend its property development and investment business in Japan, Osaka is the first location for our development. The property development and investment business in Japan has allowed the Group the opportunity to gain valuable experience and reputation in other countries in Asia-Pacific region, which will help the development of the Group in near future.

FOREIGN EXCHANGE EXPOSURE

As at 31 March 2019 and for the year ended 31 March 2019, most of the income and expenditures of the Group are denominated in Hong Kong dollars, being the functional currency of the Group, 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

JV entities were established for the Property Development and Investment Business in Japan, which may include, but not limited to, (i) property consolidation, assembly and redevelopments; (ii) property trading and/or investment; and (iii) hospitality management business.

For the year ended 31 March 2019, JV entities have entered into the Formal Agreement to acquire for the Land located at 4-10, 1 Chome, Dotonbori, Chuo-ku, Osaka, Japan, at a consideration of 290 million Japanese Yen (equivalent to approximately HK\$21.2 million) and the Construction Contract in relation to the construction of a building situated at 1-25, Kitakawahoricho, Tennoji-ku, Osaka, Japan in the contract sum of 338 million Japanese Yen (equivalent to approximately HK\$24.3 million), subject to adjustments in connection with changes (if any) in the construction works.

Save as disclosed above, there were no significant investments held, material acquisitions or disposals of subsidiaries and associated companies during the year.

CAPITAL COMMITMENTS

As at 31 March 2019, the Group had no material capital commitments.

LEASE COMMITMENTS

The Group leases car parking spaces, office premises, staff quarters and warehouses under non-cancellable operating lease agreements. The lease terms are ranged from 1 to 3 years and the lease arrangements are renewable at the end of the lease period at market rate.

The Group had contracted with lessees for leasing office premises and a car parking space under non-cancellable operating lease agreements. The lease term are ranged from 6 months to 3 years and the lease arrangements are renewable at the end of the lease period at market rate. For details of the lease commitments, please refer to Note 14 to this announcement.

CONTINGENT LIABILITIES

Save as disclosed in Note 15 to this announcement, the Group had no other contingent liabilities as at 31 March 2019.

EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2019 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group had 161 employees (31 March 2018: 192 employees). Most of the Group's employees were site workers in Hong Kong. The decrease in headcount is mainly due to the completion of a predominant project. 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 staff cost incurred by the Group during the year ended 31 March 2019 was approximately HK\$76.0 million (31 March 2018: approximately HK\$126.5 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 announcement and the total number of shares available for grant under the scheme was 80,000,000 shares, representing 10% of the issued share capital of the Company as at the date of this announcement.

OTHER INFORMATION

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 March 2019 (31 March 2018: Same).

Closure of Register of Members

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Thursday, 12 September 2019 (the "2019 AGM"), the register of members of the Company will be closed from Monday, 9 September 2019 to Thursday, 12 September 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2019 AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with

the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 6 September 2019.

Compliance with the Corporate Governance Code

Throughout the year ended 31 March 2019, the Company has complied with the applicable 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") 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 is the Chairman who performs the duty of chief executive officer during the year and since the Listing 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 three Independent non-executive Directors and two executive Directors also provides added independence to the Board. Further, 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.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2019 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 Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2019.

Audit Committee

The Company has established an audit committee (the “Audit Committee”) which currently consists of three Independent Non-Executive Directors of the Company with written terms of reference which deals clearly with its authority and duties.

The Audit Committee has reviewed with the Group’s management, the accounting principles and policies adopted by the Group and discussed the financial information of the Group and the annual results of the Group for the year ended 31 March 2019.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group’s consolidated statement of comprehensive income, consolidated balance sheet, and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Publication of Annual Report

The annual report for the year ended 31 March 2019 containing all relevant information required by the Listing Rules will be despatched to shareholders of the Company and published on the website of the Stock Exchange (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

Hong Kong, 27 June 2019

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Leung Kam Fai and Mr. Lam Ka Ho as executive Directors; Mr. Keung Kwok Hung, Mr. Fong Man Fu Eric and Ms. Lau Suk Han Loretta as independent non-executive Directors.