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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 2020

RESULTS HIGHLIGHTS

- Revenue for the year ended 31 March 2020 was approximately HK\$261.0 million, representing a decrease of 46.9% from approximately HK\$491.8 million for the year ended 31 March 2019.
- Gross profit for the year ended 31 March 2020 was approximately HK\$22.3 million, representing a decrease of 64.3% from approximately HK\$62.4 million for the year ended 31 March 2019.
- Administrative expenses for the year ended 31 March 2020 were approximately HK\$31.8 million, representing a decrease of 21.7% from approximately HK\$40.6 million for the year ended 31 March 2019, mainly due to (i) decrease in staff welfare, messing and entertainment of approximately HK\$1.4 million; (ii) decrease in staff costs of approximately HK\$1.0 million; and (iii) decrease in legal and professional fees of approximately HK\$2.1 million during the year.
- Loss attributable to the owners of the Company for the year ended 31 March 2020 was approximately HK\$17.0 million (31 March 2019: profit attributable to the owners of the Company of approximately HK\$14.7 million).

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 2020 together with comparative figures for the previous financial year ended 31 March 2019, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	<i>Note</i>	Year ended 31 March	
		2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	260,950	491,839
Cost of sales	5	<u>(238,678)</u>	<u>(429,415)</u>
Gross profit		22,272	62,424
Other income	4	696	563
Other gains, net		139	31
Administrative expenses	5	(31,831)	(40,559)
Fair value (losses)/gains on investment properties	8	<u>(280)</u>	<u>1,200</u>
Operating (loss)/profit		<u>(9,004)</u>	<u>23,659</u>
Finance income		1,636	101
Finance costs		<u>(9,511)</u>	<u>(5,916)</u>
Finance costs, net		<u>(7,875)</u>	<u>(5,815)</u>
Share of results of investments accounted for using the equity method		<u>—</u>	<u>(769)</u>
(Loss)/profit before income tax		(16,879)	17,075
Income tax expenses	6	<u>(159)</u>	<u>(2,409)</u>
(Loss)/profit attributable to the owners of the Company		<u>(17,038)</u>	<u>14,666</u>

		Year ended 31 March	
		2020	2019
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive (loss)/income, net of tax			
<u><i>Item that may be subsequently reclassified to profit or loss</i></u>			
	Share of other comprehensive loss of investments accounted for using the equity method	—	(22)
<u><i>Item that will not be subsequently reclassified to profit or loss</i></u>			
	Revaluation surplus upon transfers of property, plant and equipment to investment properties	—	3,501
Total comprehensive (loss)/income attributable to the owners of the Company		<u>(17,038)</u>	<u>18,145</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	7 <u>(2.13)</u>	<u>1.83</u>
	Diluted	7 <u>(2.13)</u>	<u>1.83</u>

CONSOLIDATED BALANCE SHEET

As at 31 March 2020

		As at 31 March	
		2020	2019
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Investment properties	8	22,330	22,610
Property, plant and equipment		521	2,956
Right-of-use assets		5,371	—
Investments accounted for using the equity method		—	—
Deferred income tax assets		492	494
Long-term deposits	9	80	80
Total non-current assets		28,794	26,140
Current assets			
Amounts due from investments accounted for using the equity method		18,221	37,916
Amounts due from related companies		2,696	2,393
Trade, retention and other receivables, deposits and prepayments	9	58,695	95,025
Contract assets	10	228,873	242,257
Current income tax recoverable		6,250	9,251
Pledged deposits		26,157	26,026
Cash and bank balances		23,268	19,747
Total current assets		364,160	432,615
Total assets		392,954	458,755

		As at 31 March	
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		80,000	80,000
Reserves		44,971	62,009
Total equity		<u>124,971</u>	<u>142,009</u>
LIABILITIES			
Non-current liabilities			
Loans from shareholders	<i>12</i>	13,337	8,750
Obligations under finance leases		—	367
Lease liabilities		2,242	—
Deferred income tax liabilities		155	362
Total non-current liabilities		<u>15,734</u>	<u>9,479</u>
Current liabilities			
Amount due to an investment accounted for using the equity method		—	267
Amount due to a related company		2	444
Contract liabilities	<i>10</i>	5,360	7,867
Trade and other payables and accruals	<i>11</i>	141,021	167,942
Current income tax payables		25	6
Current portion of obligations under finance leases		—	512
Borrowings	<i>12</i>	102,487	130,229
Lease liabilities		3,354	—
Total current liabilities		<u>252,249</u>	<u>307,267</u>
Total liabilities		<u>267,983</u>	<u>316,746</u>
Total equity and liabilities		<u>392,954</u>	<u>458,755</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 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”).

These 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.

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, and the Group had changed its accounting policy as a result of adopting HKFRS 16 Leases (“HKFRS 16”).

The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 April 2019.

The impact of the adoption of HKFRS 16 is disclosed below. The other standards did not have material impact on the Group’s accounting policies and did not require any adjustments.

(i) *Accounting policies applied from 1 April 2019*

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are depreciated over the

shorter of the assets' useful lives and the lease term on a straight-line basis and stated at initially recognised amount less depreciation and impairment losses. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any initial direct costs.

(ii) *Impact of adoption*

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening of the consolidated balance sheet on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases ("HKAS 17"). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019 (date of initial application of HKFRS 16. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5.13%.

For leases previously classified as finance leases, the Group recognised the carrying amounts of the lease assets and lease liabilities immediately before transition as the carrying amounts of the right-of-use assets and the lease liabilities at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of lease with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases; and
- using of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 “Determining whether an Arrangement contains a Lease”.

The reconciliation between the operating lease commitments as disclosed by applying HKAS 17 as at 31 March 2019 and the lease liabilities recognised in the opening of the consolidated balance sheet as at 1 April 2019 (date of initial application of HKFRS 16) is as follows:

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	<u>3,238</u>
Discounted using the lessee’s incremental borrowing rate at the date of initial application	3,143
Add: finance leases recognised as at 31 March 2019	879
Less: short-term leases not recognised as a liability	(398)
Add: adjustments on lease liabilities considering the extension options	<u>4,840</u>
Lease liabilities recognised as at 1 April 2019	<u>8,464</u>
Of which are:	
— Current lease liabilities	3,309
— Non-current lease liabilities	<u>5,155</u>
	<u>8,464</u>

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 1 April 2019.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	1 April 2019 <i>HK\$'000</i>
Office premises	7,585
Motor vehicles	<u>1,179</u>
Total right-of-use assets	<u>8,764</u>

The change in accounting policy resulted in the recognition of right-of-use assets and lease liabilities by HK\$8,764,000 and HK\$8,464,000 in the opening consolidated balance sheet on 1 April 2019 respectively. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by reclassification of certain property, plant and equipment of HK\$1,179,000, less obligations under finance leases of HK\$879,000.

The change in accounting policy did not have any impact on the Group's retained earnings as at 1 April 2019.

On adoption of HKFRS 16, the Group did not need to make any adjustment to the accounting for investment properties held as lessor as a result of adopting the new leasing standard.

(b) *Impact of standards issued but not yet applied by the Group*

The following are new standards and amendments to existing standards that have been published and are mandatory for the Group's accounting periods beginning after 1 April 2020 or later periods, but have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 3 (Amendments)	Definition of a Business	1 April 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 April 2020
Conceptual framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 April 2020
HKFRS 17	Insurance Contracts	1 April 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of assessing potential impact of the above other new standards and amendments to existing standards that is relevant to the Group upon initial application. The management of the Group plans to adopt these new standards and amendments to existing standards when they become effective.

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 the internal reports:

- (a) Construction and engineering services — principally engaged in the provision of (i) building construction services; (ii) alteration, 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”) excluding fair value (losses)/gains on investment properties and share of results of investments accounted for using the equity method.

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 2020			
Segment turnover	<u>260,728</u>	<u>222</u>	<u>260,950</u>
Segmental EBITDA (excluding fair value losses on investment properties)	<u>(3,992)</u>	<u>116</u>	<u>(3,876)</u>
Depreciation	(4,848)	—	(4,848)
Fair value losses on investment properties	<u>—</u>	<u>(280)</u>	<u>(280)</u>
Segmental operating loss	<u>(8,840)</u>	<u>(164)</u>	<u>(9,004)</u>
Finance costs, net			<u>(7,875)</u>
Loss before income tax			(16,879)
Income tax expenses			<u>(159)</u>
Loss attributable to the owners of the Company			<u>(17,038)</u>
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>14,666</u>

The segment assets and liabilities at 31 March 2020 and additions to non-current assets for the year ended 31 March 2020 are as follows:

	Construction and engineering services <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Total Group <i>HK\$'000</i>
As at 31 March 2020			
Segment assets	<u>352,403</u>	<u>40,551</u>	<u>392,954</u>
Segment liabilities	<u>267,983</u>	<u>—</u>	<u>267,983</u>
Year ended 31 March 2020			
Additions to non-current assets (excluding investments accounted for using the equity method, deferred income tax assets and long-term deposits)	<u>282</u>	<u>—</u>	<u>282</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 <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Total Group <i>HK\$'000</i>
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>

During the year ended 31 March 2020, additions to non-current assets comprise additions to right-of-use assets (2019: additions to property, plant and equipment).

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\$260,950,000 (2019: HK\$491,839,000) are derived from external customers in Hong Kong for the year ended 31 March 2020.

For the year ended 31 March 2020, there were 3 customers from construction and engineering operating segment (2019: 2 customers from construction and engineering operating segment), which individually contributed over 10% of the Group's total revenue. During the year ended 31 March 2019 and 2020, the revenue contributed from each of these customers was as follows:

	Year ended 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	72,253	120,385
Customer B	54,018	N/A
Customer C	36,079	N/A
Customer D	<u>N/A</u>	<u>132,157</u>

4. REVENUE AND OTHER INCOME

The Group's revenue and other income recognised during the year ended 31 March 2019 and 2020 are as follows:

	Year ended 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue:		
Provision of construction and engineering services		
— Building construction services	8,483	66,650
— Alteration, addition, fitting-out works and building services	240,097	409,834
— Repair and restoration of historic buildings	<u>12,148</u>	<u>15,022</u>
	260,728	491,506
Property development and investment		
— Rental income	<u>222</u>	<u>333</u>
	<u>260,950</u>	<u>491,839</u>
Other income:		
Government grant (<i>Note</i>)	563	—
Sundry income	<u>133</u>	<u>563</u>
	<u>696</u>	<u>563</u>

Note: Government grants recognised were related to anti-epidemic fund and on-the-job training allowance for the construction industry. There were no unfulfilled condition and other contingencies attached to the receipts of those grants.

5. EXPENSES BY NATURE

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

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Construction cost recognised in cost of sales	238,434	429,146
Auditor's remuneration		
— Audit services	1,635	1,635
— Non-audit services	165	165
Depreciation of property, plant and equipment	1,173	2,811
Depreciation of right-of-use assets	3,675	—
Employee benefit expenses recognised in administrative expenses (including directors' emoluments)	16,607	17,623
Operating lease rentals in respect of car parking spaces, office premises and warehouses	—	3,632
Other lease expenses*	633	—
Staff welfare, messing and entertainment	1,675	3,036
Motor vehicle expenses	1,003	1,715
Legal and professional fees	777	2,915
Building management fees	849	878
Travelling expenses	202	386
Others	3,681	6,032
Total cost of sales and administrative expenses	270,509	469,974

* 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.

6. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2019: same) on the estimated assessable profit for the year ended 31 March 2020.

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

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Current tax:		
Hong Kong profits tax on profits for the year	170	2,584
Under/(over)-provision in prior years	<u>194</u>	<u>(214)</u>
Total current tax expenses	<u>364</u>	<u>2,370</u>
Deferred income tax	<u>(205)</u>	<u>39</u>
Income tax expenses	<u>159</u>	<u>2,409</u>

7. (LOSS)/EARNINGS PER SHARE

(a) Basic

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 year.

	Year ended 31 March	
	2020	2019
(Loss)/earnings:		
(Loss)/profit attributable to the owners of the Company (HK\$'000)	<u>(17,038)</u>	<u>14,666</u>
Number of shares:		
Weighted average number of ordinary shares in issue (thousands)	<u>800,000</u>	<u>800,000</u>
Basic (loss)/earnings per share (HK cents)	<u>(2.13)</u>	<u>1.83</u>

(b) Diluted

Diluted (loss)/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 and 2020, diluted (loss)/earnings per share are of the same amount as the basic (loss)/earnings per share as there were no potentially dilutive share outstanding during the years.

8. INVESTMENT PROPERTIES

For the year ended 31 March

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	22,610	16,048
Transferred from property, plant and equipment	—	5,362
Fair value (losses)/gains on investment properties	<u>(280)</u>	<u>1,200</u>
At end of the year	<u>22,330</u>	<u>22,610</u>

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

As at 31 March

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current portion		
Trade receivables (<i>Note (a)</i>)	19,392	43,770
Retention receivables (<i>Note (b)</i>)	<u>33,193</u>	<u>43,329</u>
	----- 52,585	----- 87,099
Prepayments, deposits and other receivables:		
Prepayments	1,634	3,619
Deposits	1,671	1,768
Other receivables	<u>2,805</u>	<u>2,539</u>
	----- 6,110	----- 7,926
	----- 58,695	----- 95,025
Non-current portion		
Long-term deposits	<u>80</u>	<u>80</u>
Total	<u>58,775</u>	<u>95,105</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	
	2020	2019
	HK\$'000	HK\$'000
Less than 30 days	11,415	25,383
31–60 days	4,109	13,324
61–90 days	80	446
Over 90 days	<u>3,788</u>	<u>4,617</u>
	<u>19,392</u>	<u>43,770</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:

	2020	2019
	HK\$'000	HK\$'000
Trade receivables under factoring arrangement	751	3,204
Associated secured borrowing (<i>Note 12</i>)	<u>5,078</u>	<u>11,837</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 consolidated balance sheet, retention receivables were classified as current assets based on operating cycle. The ageing analysis of these retention receivables based on the terms of related contracts was as follows:

	As at 31 March	
	2020	2019
	HK\$'000	HK\$'000
Will be recovered within twelve months	17,035	10,609
Will be recovered more than twelve months after the end of the year	<u>16,158</u>	<u>32,720</u>
	<u>33,193</u>	<u>43,329</u>

The Group does not hold any collateral as security.

The carrying amounts of trade and retention receivables approximated their fair values as at 31 March 2019 and 2020 due to short maturities and were denominated in HK\$.

The maximum exposure to credit risk was the carrying amounts of trade and retention receivables and the Group did not hold any collateral as security during the year ended 31 March 2020 (2019: same).

10. CONTRACT ASSETS/(LIABILITIES)

	As at 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets relating to construction contracts	<u>228,873</u>	<u>242,257</u>
Contract liabilities relating to construction contracts	<u>(5,360)</u>	<u>(7,867)</u>

(i) Significant changes in contract assets and liabilities

Contract assets have decreased as the Group has provided less 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 “Financial Instruments”, which permits the use of the lifetime expected loss provision for contract assets. As at 31 March 2020, the identified impairment loss was immaterial (2019: same).

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 and 2020 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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	<u>7,675</u>	<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	
	2020	2019
	HK\$'000	HK\$'000
Aggregate amount of the transaction price allocated to long-term construction contracts that are partially or fully unsatisfied	<u>133,893</u>	<u>257,903</u>

Management expects that the transaction prices regarding the unsatisfied contracts as of 31 March 2020 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	
	2020	2019
	HK\$'000	HK\$'000
Trade payables (<i>Note (a)</i>)	80,658	122,568
Bills payables (<i>Note (b)</i>)	<u>51,413</u>	<u>34,746</u>
	132,071	157,314
Other payables and accruals (<i>Note (c)</i>)	<u>8,950</u>	<u>10,628</u>
	<u>141,021</u>	<u>167,942</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	
	2020	2019
	HK\$'000	HK\$'000
Less than 30 days	34,311	48,368
31–60 days	6,505	21,951
61–90 days	5,321	15,166
Over 90 days	34,521	37,083
	80,658	122,568

(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	
	2020	2019
	HK\$'000	HK\$'000
Due within 30 days	17,965	8,232
Due within 31 to 60 days	17,899	10,179
Due within 61 to 90 days	12,932	15,735
Due over 90 days	2,617	600
	51,413	34,746

(c) **Other payables and accruals**

	As at 31 March	
	2020	2019
	HK\$'000	HK\$'000
Accrued staff costs and pension obligations	5,744	6,946
Accrued expenses	2,509	3,373
Other payables	697	309
	8,950	10,628

12. BORROWINGS AND LOANS FROM SHAREHOLDERS

	As at 31 March	
	2020	2019
	HK\$'000	HK\$'000
Bank borrowings	80,813	115,064
Bank overdrafts	<u>21,674</u>	<u>15,165</u>
Total bank borrowings and overdrafts (<i>Note (i)</i>)	<u><u>102,487</u></u>	<u><u>130,229</u></u>
Loans from shareholders (<i>Note (ii)</i>)	<u><u>13,337</u></u>	<u><u>8,750</u></u>

Note (i):

The Group's borrowings were repayable as follows:

	As at 31 March	
	2020	2019
	HK\$'000	HK\$'000
Portion due for repayment within 1 year/with a repayment on demand clause	96,563	120,927
Portion due for repayment between 1 and 2 years with a repayment on demand clause	2,473	3,370
Portion due for repayment between 2 and 5 years with a repayment on demand clause	<u>3,451</u>	<u>5,932</u>
	<u><u>102,487</u></u>	<u><u>130,229</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	
	2020	2019
	HK\$'000	HK\$'000
Within 1 year	74,889	105,762
Between 1 and 2 years	2,473	3,370
Between 2 and 5 years	<u>3,451</u>	<u>5,932</u>
	<u><u>80,813</u></u>	<u><u>115,064</u></u>

As at 31 March 2020, the bank borrowings facilities granted to the Group are secured by the following:

- (a) Pledged deposits of HK\$26,157,000 (2019: HK\$26,026,000);
- (b) The Group's investment properties amounting to HK\$22,330,000 (2019: HK\$22,610,000) (Note 8);
- (c) Trade receivables under factoring arrangement amounting to HK\$751,000 (2019: HK\$3,204,000) (Note 9(a));
- (d) Corporate guarantees executed by the Company and certain subsidiaries of the Group (2019: same); and
- (e) A pledged property of a related company located in Hong Kong.

The carrying amounts of bank borrowings approximate their fair values.

These bank 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 5.1% per annum (2019: 4.4% per annum) as at 31 March 2020.

As at 31 March 2019 and 2020, 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	
	2020	2019
	HK\$'000	HK\$'000
Within 6 months	93,172	107,612
Between 6 and 12 months	1,013	10,000
Between 1 and 5 years	<u>8,302</u>	<u>12,617</u>
	<u>102,487</u>	<u>130,229</u>

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

As at 31 March 2020, total undrawn bank facilities amounted to approximately HK\$61,224,000 (2019: HK\$44,819,000).

Note (ii):

Loans from shareholders of approximately HK\$13,337,000 as at 31 March 2020 are unsecured, interest free, repayable in two years from the balance sheet date and denominated in HK\$.

The balance of approximately HK\$8,750,000 as at 31 March 2019 is 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\$. The balance was settled during the year ended 31 March 2020.

13. DIVIDENDS

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

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 and the lease arrangements are renewable at the end of the lease period at market rate. 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 HK\$'000
No later than 1 year	2,638
Later than 1 year and no later than 5 years	600
	<u>3,238</u>

From 1 April 2019, the Group has recognised right-of-use assets and lease liabilities for these leases, except for short-term leases.

(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 2020, the original lease terms are ranged from 6 months to 3 years (2019: 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	
	2020	2019
	HK\$'000	HK\$'000
Within 1 year	301	75
Between 1 and 2 years	211	—
	<u>512</u>	<u>75</u>

15. CONTINGENCIES

At 31 March 2019 and 2020, the Group's contingent liabilities were as follows:

	As at 31 March	
	2020	2019
	HK\$'000	HK\$'000
Surety bonds (<i>Note</i>)	<u>29,249</u>	<u>29,883</u>

Note: As at 31 March 2020, the Group provided guarantees of surety bonds in respect of 6 (2019: 5) 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 2020 and the comparative year according to our four major types of services:

	Year ended 31 March			
	2020		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Building construction services	8,483	3.3	66,650	13.5
Alteration, addition, fitting-out works and building services	240,097	92.0	409,834	83.3
Repair and restoration of historic buildings	12,148	4.6	15,022	3.1
Property development and investment	222	0.1	333	0.1
Total	<u>260,950</u>	<u>100.0</u>	<u>491,839</u>	<u>100.0</u>

As at 31 March 2020, there were 1, 35 and 7 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 31 March 2020, the aggregate amount of revenue expected to be recognised after 31 March 2020 of our on-going projects was approximately HK\$133.9 million.

The following table sets out our completed contracts during the year ended 31 March 2020 with contract sum of HK\$3 million or above:

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
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
Alteration and addition works for a project in Kwai Chung	Alteration, addition, fitting-out works and building services	February 2018 to May 2018
Improvement of conference and meeting facilities in campus of an university	Alteration, addition, fitting-out works and building services	March 2018 to June 2019
Electricity works of a water treatment plant in Tai Po	Alteration, addition, fitting-out works and building services	September 2016 to July 2017
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

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 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 wholesale conversion in Kwai Chung	Alteration, addition, fitting-out works and building services	June 2018 to July 2019
Electrical and ACMV installation system in Kai Tak	Alteration, addition, fitting-out works and building services	October 2018 to November 2020
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
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
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
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 school in Shatin	Alteration, addition, fitting-out works and building services	June 2019 to October 2019
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

Particulars of project	Main category of works	Expected project period^(Note 1)
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
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
Repair and conservation works for a primary school in Happy Valley	Repair and restoration of historic buildings	May 2019 to November 2019
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 31 March 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	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

The contraction of the Hong Kong economy for the year ended 31 March 2020 (the “Year” or “2020”) was mainly attributable to the weak performance in both domestic and external demand. The outbreak of novel coronavirus (“COVID-19”) in January 2020 further casted a shadow over the economic sentiment and social life of the city.

The Group is principally engaged in the segments of “Construction and Engineering Services” and “Property Development and Investment”.

Regarding the “Construction and Engineering Services” segment, the contracts the Group entered into with its customers are categorised into three, i.e., (i) building construction services, (ii) alteration, addition, fitting-out works and building services, and (iii) repair and restoration of historic buildings.

For “Property Development and Investment”, the development of our first property in Osaka through Jointly-controlled entities (“JV entities”) was completed during the Year.

Financial Review

Revenue

Revenue for the year ended 31 March 2020 was approximately HK\$261.0 million, representing a decrease of 46.9% from approximately HK\$491.8 million for the year ended 31 March 2019. The decline in our revenue was mainly attributable to the:

1. Certain projects with relatively larger initial contract sum were completed or substantially completed during the year and contributions in revenue by such projects were reduced; and
2. Decrease in awards of projects in both public and private sectors, due to the negative effect arose from social events, political disputes and the overall economic downturn in Hong Kong.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year ended 31 March 2020 was approximately HK\$22.3 million, representing a decrease of 64.3% from approximately HK\$62.4 million for the year ended 31 March 2019. In addition, the Group's gross profit ratio decreased from approximately 12.7% during the year ended 31 March 2019 to approximately 8.5% during the year ended 31 March 2020. Because of the outbreak of COVID-19, cost overrun was resulting from shortage of supply chain, preventive quarantines and suspension of government services.

Administrative Expenses

The Group's administrative expenses decreased from approximately HK\$40.6 million during the year ended 31 March 2019 to approximately HK\$31.8 million during the year ended 31 March 2020 and such decrease was mainly attributable to (i) decrease in staff welfare, messing and entertainment of approximately HK\$1.4 million; (ii) decrease in staff costs of approximately HK\$1.0 million; and (iii) decrease in legal and professional fees of approximately HK\$2.1 million during the year ended 31 March 2020 as compared with the previous year.

Finance Costs

Finance cost was increased from approximately HK\$5.9 million during the year ended 31 March 2019 to approximately HK\$9.5 million during the year ended 31 March 2020. The interest expenses for borrowings increased from approximately HK\$5.8 million during the year ended 31 March 2019 to approximately HK\$8.4 million during the year ended 31 March 2020 was mainly because unexpected prolonged period of inspection of workdone and certification of payments caused deterioration in project cash flow and increase in finance costs.

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

Based on the above factors, during the year ended 31 March 2020, the Group reported loss before income tax of approximately HK\$16.9 million (31 March 2019: profit before income tax of approximately HK\$17.1 million).

Loss attributable to the owners of the Company was approximately HK\$17.0 million for the year ended 31 March 2020 (31 March 2019: profit attributable to the owners of the Company of approximately HK\$14.7 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 CHARGES ON ASSETS

The total interest bearing borrowings of the Group, including bank loans and lease liabilities (31 March 2019: bank loans, loan from a shareholder and finance leases), was approximately HK\$108.1 million as at 31 March 2020 (HK\$139.9 million as at 31 March 2019). 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 4.1%–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 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, 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 loans from shareholders, bank borrowings and net cash generated from the operating activities.

As at 31 March 2020, the Group had cash and bank balances of approximately HK\$23.3 million (31 March 2019: approximately HK\$19.7 million). The Group's gearing ratio and current ratio are as follows:

	As at 31 March	
	2020	2019
Current ratio	1.4	1.4
Gearing ratio	<u>44%</u>	<u>46%</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 lease liabilities, loans from shareholders and borrowings, less cash and bank balances (31 March 2019: obligations under finance leases, loan from a shareholder and borrowings, 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 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, 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 and the utilisation of the net proceeds as at 31 March 2020, are set out as follows:

Uses of Net Proceeds	Original	Revised	Utilisation as	Remaining
	allocation	allocation as		
	HK\$ million	disclosed in the	2020	revised
		announcement	HK\$ million	allocation
		dated		HK\$ million
		9 February		
		2018		
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
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

Looking forward, various external and domestic factors that exacerbated the cyclical slowdown in global economic activities in 2020 might continue to influence our economic performance. The Directors believe that the stimulus packages from the HKSAR Government and Japan Government will help to cushion the hit from adverse impacts on the macroeconomic condition. The Directors consider that the Group is able to overcome the challenges by taking advantage of future opportunities and keeping competitive, by

- (i) tendering with lower risk strategy;
- (ii) taking intense cost control measures;
- (iii) expanding the customer base; and
- (iv) broadening of servicing scopes.

FOREIGN EXCHANGE EXPOSURE

As at 31 March 2020 and for the year ended 31 March 2020, 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.

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 2020, the Group had no material capital commitments.

LEASE COMMITMENTS

Details of the lease commitments are set out in 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 2020.

EVENT AFTER THE REPORTING PERIOD

Reference is made to the announcement of the Company dated 22 May 2020, Milestone Builder, a wholly-owned subsidiary of the Company, took out the HSBC Life Insurance and placed an initial single premium of US\$1,494,337 (equivalent to approximately HK\$11,655,829) 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 initial single premium was financed by a cash payment of US\$432,766 and a loan from The Hongkong and Shanghai Banking Corporation Limited of US\$1,061,571. The HSBC Life Insurance shall be classified as a finance asset at fair value through profit or loss in the consolidated financial statements for the year ended 31 March 2021.

The Group's business was affected by the outbreak of COVID-19 in the Year, The Group's construction material suppliers postponed their business resumption which resulted in delayed suppliers' delivery of construction materials to the construction sites. The delays of suppliers' delivery of construction materials have resulted in delay in the progress of some on-going projects of the Group and additional construction costs incurred to cope with the change in operation arrangements. Given the unpredictability of future development of COVID-19, the impacts to the Group cannot be reliably quantified or estimated at the date of issuing the consolidated financial statements. The Group will pay close attention to the development of the COVID-19 outbreak and react actively by further assessment of its impact and take relevant measures.

Save as aforesaid, there is no material subsequent event undertaken by the Company or by the Group after 31 March 2020 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group had 127 employees, including 86 staff and 41 workers (31 March 2019: 161 employees, including 111 staff and 50 workers). The decrease in headcount is mainly due to the completion of certain projects. 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 2020 was approximately HK\$61.0 million (31 March 2019: approximately HK\$76.0million).

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 2020 (31 March 2019: 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 Friday, 11 September 2020 (the “2020 AGM”), the register of members of the Company will be closed from Tuesday, 8 September 2020 to Friday, 11 September 2020, 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 2020 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 Monday, 7 September 2020.

Compliance with the Corporate Governance Code

Throughout the year ended 31 March 2020, 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 four 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 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 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 2020.

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 2020.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group’s consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2020 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 2020 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 and Executive Director

Hong Kong, 24 June 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.