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GAIN PLUS HOLDINGS LIMITED
德益控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8522)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED
(THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of Gain Plus Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement is prepared in English language and translated into Chinese. In the event of any inconsistencies between the Chinese and English version, the later shall prevail.

HIGHLIGHTS

For the year ended 31 March 2019 (the “Year”):

- Revenue of the Group was approximately HK\$878.8 million, increased approximately 66.7% as compared to the corresponding year in 2018.
- Profit attributable to owners of the Company was approximately HK\$38.3 million (2018: approximately HK\$9.7 million).
- The Directors did not recommend the payment of dividend for the Year.

AUDITED ANNUAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the audited results of the Company and its subsidiaries (collectively the “Group”) for the Year, together with the audited comparative figures for the corresponding year in 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

| | <i>Notes</i> | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Revenue | 3 | 878,762 | 527,114 |
| Cost of services | | (816,413) | (485,183) |
| Gross profit | | 62,349 | 41,931 |
| Other income and gains and losses | | 815 | 560 |
| Impairment losses, net of reversal | | (972) | — |
| Administrative expenses | | (15,966) | (12,023) |
| Listing expenses | | — | (15,618) |
| Finance costs | | (275) | (104) |
| Profit before taxation | | 45,951 | 14,746 |
| Income tax expense | 4 | (7,683) | (5,068) |
| Profit and total comprehensive income for the year attributable to owners of the Company | | 38,268 | 9,678 |
| Earnings per share | 6 | | |
| Basic (HK cents) | | 10.29 | 3.33 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

| | <i>Notes</i> | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Plant and equipment | | 2,632 | 2,379 |
| Deposits for acquisition of plant and equipment | | 87 | 547 |
| Deferred tax assets | | 275 | — |
| | | <u>2,994</u> | <u>2,926</u> |
| Current assets | | | |
| Trade and other receivables | 7 | 99,777 | 90,387 |
| Contract assets | 8 | 87,196 | — |
| Amounts due from customers for contract work | 9 | — | 73,602 |
| Bank balances and cash | | 91,853 | 69,017 |
| | | <u>278,826</u> | <u>233,006</u> |
| Current liabilities | | | |
| Trade and other payables | 10 | 67,062 | 70,151 |
| Amounts due to customers for contract work | 9 | — | 35,971 |
| Tax payable | | 2,842 | 4,214 |
| Bank borrowings | | 6,028 | — |
| Contract liabilities | | 45,107 | — |
| Obligations under finance leases | | 575 | 959 |
| | | <u>121,614</u> | <u>111,295</u> |
| Net current assets | | <u>157,212</u> | <u>121,711</u> |
| Total assets less current liabilities | | <u>160,206</u> | <u>124,637</u> |
| Non-current liabilities | | | |
| Obligations under finance leases | | 646 | 1,263 |
| Deferred tax liabilities | | — | 149 |
| | | <u>646</u> | <u>1,412</u> |
| Net assets | | <u>159,560</u> | <u>123,225</u> |
| Capital and reserves | | | |
| Share capital | 11 | 3,720 | 3,720 |
| Reserves | | 155,840 | 119,505 |
| Total equity | | <u>159,560</u> | <u>123,225</u> |

NOTES

1. GENERAL INFORMATION, GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION

Gain Plus Holdings Limited (“the Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 4 July 2017 and its shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 13 February 2018. The addresses of the registered office and principal place of business of the Company are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and Unit 1323A, Level 13, Landmark North, 39 Lung Sum Avenue, Sheung Shui, the New Territories, Hong Kong, respectively.

The Company acts as an investment holding company and its subsidiaries are principally engaged in the provision of building construction services and repair, maintenance, addition and alteration services (“RMAA Services”).

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

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

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

| | |
|-----------------------|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| HK(IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 “Financial Instruments” with HKFRS 4 “Insurance Contracts” |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014–2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |

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

2.1 HKFRS 15 “Revenue from Contracts with Customers”

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, i.e. 1 April 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply HKFRS 15 retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Contract revenue from provision of building construction services
- Contract revenue from provision of RMAA Services

2.1.1 Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

| | <i>Notes</i> | Carrying amounts previously reported at 31 March 2018 <i>HK\$'000</i> | Reclassification <i>HK\$'000</i> | Carrying amounts under HKFRS 15 at 1 April 2018* <i>HK\$'000</i> |
|--|----------------------|---|--|--|
| Current assets | | | | |
| Amounts due from customers for contract work | <i>(a)</i> | 73,602 | (73,602) | — |
| Trade and other receivables | <i>(b)</i> | 90,387 | (20,444) | 69,943 |
| Contract assets | <i>(a) & (b)</i> | — | 85,744 | 85,744 |
| Current liabilities | | | | |
| Amounts due to customers for contract work | <i>(a)</i> | 35,971 | (35,971) | — |
| Trade and other payables | <i>(c)</i> | 70,151 | (28,639) | 41,512 |
| Contract liabilities | <i>(a) & (c)</i> | — | 56,308 | 56,308 |

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

- (a) In relation to construction contracts previously accounted for under HKAS 11, the Group estimates the performance obligations satisfied up to date of initial application of HKFRS 15. Amounts due from customers for contract work of HK\$73,602,000 were reclassified to contract assets, while amounts due to customers for contract work of HK\$35,971,000 were reclassified to contract liabilities.
- (b) At the date of initial application, retention receivables of HK\$20,444,000 arising from the construction contracts are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, and such balance was reclassified from trade and other receivables to contract assets.
- (c) The reclassification of HK\$28,639,000 from trade and other payables to contract liabilities under HKFRS 15 represented the Group's obligations to transfer to the customers of the services which the Group has received consideration from the customers.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position at 31 March 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position at 31 March 2019

| | As reported | Adjustments | Amounts without application of HKFRS 15 |
|--|--------------------|--------------------|--|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current assets | | | |
| Amounts due from customers for contract work | — | 81,079 | 81,079 |
| Trade and other receivables | 99,777 | 6,117 | 105,894 |
| Contract assets | 87,196 | (87,196) | — |
| Current liabilities | | | |
| Trade and other payables | 67,062 | 45,107 | 112,169 |
| Contract liabilities | 45,107 | (45,107) | — |

The explanations of the above changes affected in the current year by the application of HKFRS 15 as compared to HKAS 11, HKAS 18 and the related interpretations are similar to the explanations set out in notes (a) to (c) above for describing the adjustments made to the consolidated statement of financial position at 1 April 2018 upon adoption of HKFRS 15.

2.2 HKFRS 9 “Financial Instruments” and the related amendments

In the current year, the Group has applied HKFRS 9 “Financial Instruments” and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; (ii) expected credit losses (“ECL”) for financial assets and other items (for example, contract assets); and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 April 2018. The difference between the carrying amounts at 31 March 2018 and the carrying amounts at 1 April 2018 are recognised in the opening retained earnings, without restating comparative information. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

2.2.1 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018. Line items that were not affected by the changes have not been included.

| | <i>Note</i> | Trade and other receivables <i>HK\$'000</i> | Contract assets <i>HK\$'000</i> | Deferred tax assets <i>HK\$'000</i> | Retained earnings <i>HK\$'000</i> |
|--|-------------|--|------------------------------------|---|---|
| Closing balance at 31 March 2018 | | | | | |
| — HKAS 39 | | 73,584 | — | — | 39,193 |
| Effect arising from initial application of HKFRS 15 | | (20,444) | 85,744 | — | — |
| Effect arising from initial application of HKFRS 9: | | | | | |
| Remeasurement | | | | | |
| Impairment under ECL model | (a) | <u>(893)</u> | <u>(1,422)</u> | <u>382</u> | <u>(1,933)</u> |
| Opening balance at 1 April 2018 | | <u>52,247</u> | <u>84,322</u> | <u>382</u> | <u>37,260</u> |

Note:

(a) *Impairment under ECL model*

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Trade receivables and contract assets have been assessed individually. The contract assets relate to unbilled revenue and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including bank balances and other receivables, are assessed on 12-month ECL (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, additional credit loss allowance of HK\$2,315,000 has been recognised against retained earnings. The additional loss allowance is charged against the respective assets.

All loss allowances, including contract assets and trade receivables, as at 31 March 2018 reconciled to the opening loss allowances as at 1 April 2018 are as follows:

| | Contract assets <i>HK\$'000</i> | Trade and other receivables <i>HK\$'000</i> |
|--|---|---|
| At 31 March 2018— HKAS 39 | — | — |
| Effect arising from initial application of HKFRS 9: | | |
| Amounts remeasured through opening retained earnings | <u>1,422</u> | <u>893</u> |
| At 1 April 2018 | <u><u>1,422</u></u> | <u><u>893</u></u> |

Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

| | 31 March 2018 <i>HK\$'000</i> (Audited) | HKFRS 15 <i>HK\$'000</i> | HKFRS 9 <i>HK\$'000</i> | 1 April 2018 <i>HK\$'000</i> (Restated) |
|------------------------------|--|------------------------------------|-----------------------------------|--|
| Non-current assets | | | | |
| Deferred tax assets | — | — | 382 | 382 |
| Current assets | | | | |
| Amounts due from customers | | | | |
| for contract work | 73,602 | (73,602) | — | — |
| Trade and other receivables | 90,387 | (20,444) | (893) | 69,050 |
| Contract assets | — | 85,744 | (1,422) | 84,322 |
| Current liabilities | | | | |
| Amounts due to customers for | | | | |
| contract work | 35,971 | (35,971) | — | — |
| Trade and other payables | 70,151 | (28,639) | — | 41,512 |
| Contract liabilities | — | 56,308 | — | 56,308 |

3. REVENUE

For the year ended 31 March 2019

Disaggregation of revenue from contracts with customers

HK\$'000

Types of services

| | |
|---|----------------|
| Provision of building construction services | 230,465 |
| Provision of RMAA Services | <u>648,297</u> |

| | |
|-------|-----------------------|
| Total | <u><u>878,762</u></u> |
|-------|-----------------------|

Timing of revenue recognition

| | |
|----------|-----------------------|
| Overtime | <u><u>878,762</u></u> |
|----------|-----------------------|

For the year ended 31 March 2018

An analysis of the Group's revenue is as follows:

HK\$'000

| | |
|---|----------------|
| Contract revenue from provision of building construction services | 95,679 |
| Contract revenue from provision of RMAA Services | <u>431,435</u> |

| | |
|-------|-----------------------|
| Total | <u><u>527,114</u></u> |
|-------|-----------------------|

4. INCOME TAX EXPENSE

| | 2019 | 2018 |
|--|----------|----------|
| | HK\$'000 | HK\$'000 |

The income tax expense comprises:

Hong Kong Profits Tax:

| | | |
|-----------------------------|---------------------|---------------------|
| Current tax | 7,725 | 5,019 |
| Overprovision in prior year | <u>—</u> | <u>(11)</u> |
| | 7,725 | 5,008 |
| Deferred tax | <u>(42)</u> | <u>60</u> |
| | <u><u>7,683</u></u> | <u><u>5,068</u></u> |

Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million (2018:16.5% of the estimated assessable profits).

5. DIVIDENDS

No dividend for the years ended 31 March 2019 and 2018 was declared, proposed, or paid for ordinary shares of the Company during the year of 2019 and since the end of reporting period.

6. EARNINGS PER SHARE

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

| | 2019 HK\$'000 | 2018 HK\$'000 |
|--|------------------|------------------|
| Profit for the year attributable to owners of the Company for the purpose of basic earnings per share | <u>38,268</u> | <u>9,678</u> |
| | 2019 '000 | 2018 '000 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>note</i>) | <u>372,000</u> | <u>290,975</u> |

Note: The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the capitalisation issue had been effective on 1 April 2017.

Diluted earnings per share are not presented as there were no potential ordinary shares in issue during both years.

7. TRADE AND OTHER RECEIVABLES

The following is an aged analysis of trade receivables presented based on dates of works certified at the end of the reporting period, net of allowance for doubtful debts.

| | 2019 HK\$'000 | 2018 HK\$'000 |
|----------------------------------|------------------|------------------|
| 1–30 days | 33,268 | 21,295 |
| 31–60 days | 48,883 | 23,798 |
| 61–90 days | — | — |
| Over 90 days | <u>784</u> | <u>7,583</u> |
| | 82,935 | 52,676 |
| Less: Impairment loss recognised | <u>(1,712)</u> | <u>—</u> |
| | 81,223 | 52,676 |
| Retention receivables | — | 20,444 |
| Prepayments to subcontractors | 17,545 | 16,652 |
| Other receivables and prepayment | <u>1,009</u> | <u>615</u> |
| | <u>99,777</u> | <u>90,387</u> |

Retention receivables

The following is an aged analysis of retention receivables, based on invoice date of respective project, at the end of the reporting period.

| | |
|-----------------|----------------------|
| | 2018 HK\$'000 |
| Within one year | 19,054 |
| After one year | <u>1,390</u> |
| | <u><u>20,444</u></u> |

8. CONTRACT ASSETS

| | 31.3.2019 HK\$'000 | 1.4.2018* HK\$'000 |
|---|-----------------------|-----------------------|
| Analysed as current: | | |
| Retention receivables of construction contracts (<i>note a</i>) | 6,285 | 15,935 |
| Unbilled revenue of construction contracts (<i>note b</i>) | 82,219 | 69,809 |
| Less: Impairment losses | <u>(1,308)</u> | <u>(1,422)</u> |
| | <u><u>87,196</u></u> | <u><u>84,322</u></u> |

* The amounts in this column are after the adjustments from the application of HKFRS 9 and 15.

- (a) Retention receivables included in contract assets represent the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. The due dates for retention receivables are one to two years after the completion of construction work.
- (b) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

Contract assets, that are expected to be settled within the Group's normal operating cycle, are classified as current based on expected settlement dates.

9. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

2018
HK\$'000

Contracts in progress at the end of the reporting period:

| | |
|--|--------------------|
| Contract costs incurred plus recognised profits less recognised losses | 1,361,206 |
| Less: Progress billings | <u>(1,323,575)</u> |
| | <u>37,631</u> |

Analysed for reporting purposes as:

| | |
|--|-----------------|
| Amounts due from customers for contract work | 73,602 |
| Amounts due to customers for contract work | <u>(35,971)</u> |
| | <u>37,631</u> |

10. TRADE AND OTHER PAYABLES

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

| | 2019 HK\$'000 | 2018 HK\$'000 |
|--|------------------|------------------|
| 1–30 days | 31,872 | 20,030 |
| 31–60 days | 6,207 | 4,333 |
| 61–90 days | 4,962 | 2,139 |
| Over 90 days | <u>8,758</u> | <u>4,096</u> |
| | 51,799 | 30,598 |
| Retention payables | 6,807 | 4,471 |
| Advances received from customers | — | 28,639 |
| Accrued listing expenses/shares issue expenses | — | 1,881 |
| Accruals and other payables | <u>8,456</u> | <u>4,562</u> |
| | <u>67,062</u> | <u>70,151</u> |

As at 31 March 2019, all the retention payables were aged within one year (2018: aged within one year).

11. SHARE CAPITAL

Details of the changes in the Company's share capital during the period from 4 July 2017 (date of incorporation) to 31 March 2019 are as follows:

| | Number of shares | Amount HK\$'000 |
|---|---------------------------|---------------------|
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| At 4 July 2017 (date of incorporation) (note a) | 39,000,000 | 390 |
| Increase in authorised share capital (note b) | <u>741,000,000</u> | <u>7,410</u> |
| At 31 March 2018 and 2019 | <u><u>780,000,000</u></u> | <u><u>7,800</u></u> |
| Issued and fully paid: | | |
| At 4 July 2017 (date of incorporation) (note a) | 1 | — |
| Issue of shares (note a) | 10,999 | — |
| Issue of shares pursuant to the capitalisation issue (note c) | 278,989,000 | 2,790 |
| Issue of shares pursuant to the placing (note d) | 65,100,000 | 651 |
| Issue of shares pursuant to the public offer (note d) | <u>27,900,000</u> | <u>279</u> |
| At 31 March 2018 and 2019 | <u><u>372,000,000</u></u> | <u><u>3,720</u></u> |

The new shares issued rank *pari passu* in all respects with existing shares.

Notes:

- (a) On 4 July 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an initial authorised share capital of HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each, of which one share was allotted and issued as fully paid to an initial subscriber (who is an independent third party) at par. During the year ended 31 March 2018, 10,999 shares were allotted and issued as fully paid.
- (b) Pursuant to the written resolutions of the shareholders passed on 23 January 2018, the authorised share capital of the Company was increased from HK\$390,000 to HK\$7,800,000 by the creation of a further 741,000,000 shares of HK\$0.01 each.
- (c) On 13 February 2018, the Company capitalised the sum of HK\$2,790,000 standing to the credit of the share premium account of the Company and applied the amount towards paying up in full 279,000,000 shares of nominal value of HK\$0.01 each for allotment to the shareholders whose names appear on the register of members of the Company immediately before the listing of the shares of the Company on the Stock Exchange.
- (d) On 13 February 2018, the Company allotted and issued 65,100,000 and 27,900,000 new shares of par value of HK\$0.01 each, at HK\$0.8 per share credited as fully paid, pursuant to the placing and public offer, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

Our Group is an established construction contractor in Hong Kong founded in 2004, principally engaged in subcontracting works providing RMAA Services and building construction services. Our RMAA Services include general upkeep, restoration and improvement of existing facilities and components of buildings and their surroundings; and our building construction services primarily consist of building works and civil works for new buildings such as columbarium blocks, demolition of staff quarters, road enhancement works and lift tower.

Looking forward, the Directors consider that the future opportunities and challenges which the Group face will be affected by the availability of construction projects from the public and private sectors in Hong Kong.

With the Group's reputation in the Hong Kong construction industry, long-term relationship with certain major customers, suppliers and subcontractors, and the experienced and professional management team, the Directors consider that the Group is well-positioned to compete against its competitors under future challenges that are commonly faced by all competitors. The Group will continue to strengthen the market position in the industry and expand the market share and further strengthen our manpower by utilising the net proceeds from the listing of shares of the Company on GEM of the Stock Exchange (the "Listing").

Our Group is positive about the prospects of the construction market and will continue to focus on our core business. Our Group will further develop private sectors, seek for appropriate projects that cope with the strategy of our Group.

Financial Review

Revenue

Our revenue increased from approximately HK\$527.1 million for the year ended 31 March 2018 to approximately HK\$878.8 million for the Year. The increase was mainly attributable to the increase in revenue derived from RMAA Services due to increase in value of work certified of projects, namely RMAA Services of all aided schools at the New Territories east of Hong Kong and maintenance and repair work for Hong Kong Government properties on Hong Kong Island and at the New Territories east and outlying islands of Hong Kong. Our revenue rendered from building construction services increased from approximately HK\$95.7 million for the year ended 31 March 2018 to approximately HK\$230.5 million for the Year. Such increase was mainly due to increase in value of work certified of projects namely superstructure and external works in relation to construction of two 6-storey columbarium blocks, demolition of staff quarters and road enhancement works.

Cost of Services

Our cost of services increased from approximately HK\$485.2 million for the year ended 31 March 2018 to approximately HK\$816.4 million for the Year, which is in line with the increase in revenue for the year ended 31 March 2018 as compared to that for the Year.

Gross Profit

Our gross profit increased from approximately HK\$41.9 million for the year ended 31 March 2018 to approximately HK\$62.3 million for the Year. Our gross profit margin decreased from approximately 8.0% for the year ended 31 March 2018 to approximately 7.1% for the Year. Such decrease was mainly attributable to the decrease in the gross profit margin of RMAA Services.

Other Income and Gains and Losses

Our other income increased from approximately HK\$0.6 million for the year ended 31 March 2018 to approximately HK\$0.8 million for the Year. The increase was mainly attributable to the increase in bank interest income.

Administrative Expenses

Our Group's administrative expenses increased from approximately HK\$12.0 million for the year ended 31 March 2018 to approximately HK\$16.0 million for the Year. The increase was mainly attributable to the increase in staff costs including directors' remuneration.

Listing Expenses

For the year ended 31 March 2018, the Group recognised non-recurring Listing expenses of approximately HK\$15.6 million in relation to the Listing. No such expenses were incurred for the Year.

Finance Costs

Our Group's finance costs increased by approximately HK\$0.3 million for the Year, which was mainly due to increase in interest on bank borrowings as a result of new bank borrowings.

Income Tax Expenses

The income tax expenses increased by approximately HK\$7.7 million for the Year. Our effective tax rate was approximately 16.7% for the Year, which was almost the same as per the effective tax rate of 16.7%, after excluding the non-deductible expense of Listing expenses of approximately HK\$15.6 million for the year ended 31 March 2018.

Profit for the year

Our Group's net profit increased from approximately HK\$9.7 million for the year ended 31 March 2018 to approximately HK\$38.3 million for the Year. Such increase was mainly attributable to the increase in revenue and cost of services as explained above, non-recurring Listing expenses incurred during the year ended 31 March 2018 and partially offset by the increase in administrative expenses.

Dividend

The Directors do not recommended the payment of a final dividend for the year ended 31 March 2019.

Liquidity and Financial Resources

The Group maintained a sound financial position during the Year. As at 31 March 2019, the Group had bank balances and cash of approximately HK\$91.9 million (2018: approximately HK\$69.0 million). The total interest-bearing borrowings, including obligations under finance leases and bank borrowings, of the Group as at 31 March 2019 was approximately HK\$7.2 million (2018: approximately HK\$2.2 million), and the current ratio as at 31 March 2019 was approximately 2.3 (2018: approximately 2.1).

Gearing Ratio

The gearing ratio of the Group as at 31 March 2019 was approximately 4.5% (2018: approximately 1.8%), which increased as the Group obtained new bank borrowings during the Year. The gearing ratio is calculated by dividing the total debt which represents obligations under finance leases and bank borrowings by total equity as at the end of the years multiplied by 100%.

Capital Structure

The shares of the Company were successfully listed on GEM of the Stock Exchange on 13 February 2018 (the "Listing Date"). There has been no change in the capital structure of the Company since then. The share capital of the Group only comprises of ordinary shares.

Commitment

The operating lease commitment of the Group was related to the lease of its office, workshops and warehouses. The Group's operating lease commitment amounted to approximately HK\$0.3 million as at 31 March 2019 (2018: HK\$0.3 million).

The capital commitment of the Group was capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements. As at 31 March 2019, there was no capital commitment (2018: HK\$0.8 million).

Future Plans for Material Investments and Capital Assets

Save as disclosed in the section headed "Future plans and use of proceeds" of the Prospectus, the Group did not have any plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 March 2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Significant Investment

As at 31 March 2019 and 2018, the Group did not hold any significant investment.

Contingent Liabilities

As at 31 March 2019 and 2018, the Group did not have material contingent liabilities.

Exposure to Exchange Rate Fluctuation

The Group's revenue generating operations are mainly transacted in HK\$. The Directors consider that the impact of foreign exchange exposure to the Group is minimal.

Charge of Group's Assets

As at 31 March 2019, the Group did not charge any of Group's assets.

Employees and Remuneration Policies

As at 31 March 2019, the Group had a total of 250 employees (2018: 144 employees). The Group's gross staff costs for the year ended 31 March 2019 amounted to approximately HK\$60.1 million (2018: HK\$41.1 million). To ensure that the Group is able to attract and retain Directors and staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance. There was no forfeited contribution under Mandatory Provident Fund Scheme during the year ended 31 March 2019.

Events After the Reporting Period

There are no material subsequent events undertaken by the Company or by the Group after 31 March 2019.

Comparison of Business Strategies and Actual Business Progress

An analysis comparing the business strategies as disclosed in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 March 2019 is set out below:

Business objectives

Continue to strengthen our market position in the industry and expand our market share in Hong Kong

Progress

The Group continues being invited to submit 7 tenders and provide 5 quotations

Business objectives

Further strengthening our manpower

Progress

The Group continues to expand our labour resources, recruited 106 staffs

For details on the implementation of the abovementioned business strategies, please refer to the section headed “Use of Proceeds” in this announcement.

Use of Proceeds

The final offer price for the Listing was HK\$0.80 per share, and the actual net proceeds from the Listing were approximately HK\$51.8 million, after deducting the listing-related expenses of approximately HK\$22.6 million (of which, approximately HK\$15.6 million and HK\$7.0 million are recognised in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity, respectively). This amount was higher than the estimated net proceeds of approximately HK\$44.1 million, which was based on a mid-point offer price of HK\$0.70 per share, as disclosed in the Prospectus. In light of the difference between the actual and estimated amount of the net proceeds, the Group has adjusted the use of proceeds, applying all surplus proceed to obtain surety bonds, as shown in the Prospectus:

| | Adjusted use of net proceeds <i>HK\$ million</i> | Planned use of net proceeds for Listing Date to 31 March 2019 <i>HK\$ million</i> | Actual use of net proceeds up to 31 March 2019 <i>HK\$ million</i> |
|---|--|---|--|
| The recruitment and retaining of additional staff | 21.2 | 12.9 | 8.3 |
| The surety bond | 23.7 | 16.0 | 10.0 |
| Purchase of machineries and motor vehicles | 2.9 | 2.9 | 1.6 |
| Working capital | <u>4.0</u> | N/A | <u>4.0</u> |
| Total | <u><u>51.8</u></u> | | <u><u>23.9</u></u> |

The net proceeds are designated for the purposes in accordance with disclosures in the Prospectus.

The Company intends to continue to apply the net proceeds in accordance with the section headed “Future Plans and Use of Proceeds” of the Prospectus.

Closure of Register of Members

In order to establish entitlements to attend and vote at the forthcoming annual general meeting to be held on Wednesday, 7 August 2019, the register of members of the Company will be closed from 2 August 2019 to 7 August 2019 (both days inclusive), during which period no transfer of the shares will

be registered. Shareholders are reminded to ensure that all completed share transfer forms 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 1 August 2019.

Corporate Governance Code

The Company endeavors to adopt prevailing best corporate governance practices. Since the Listing Date, the Company had complied with all the code provisions set out in the Corporate Governance Code as contained in Appendix 15 of the GEM Listing Rules and there has been no deviation in relation thereto.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "Code of Conduct") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard Dealings"). The Company had also made specific enquiry of all the Directors and each of them was in compliance with the Code of Conduct and Required Standard Dealings since the listing of the Shares on the GEM on the Listing Date up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the listing of the Shares on GEM on the Listing Date up to the date of this announcement.

SHARE OPTION SCHEME

The Company conditionally approved and adopted a share option scheme on 23 January 2018 (the "Scheme"). For the principle terms of the Scheme, please refer to "D. Share Option Scheme" in Appendix IV to the Prospectus. No share option has been granted by the Company under the Scheme since its adoption.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "Audit Committee") has been established on 23 January 2018 in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. Written terms of reference in compliance with code provision C.3.3 of the Corporate Governance Code and Corporate Governance Report, as set out in Appendix 15 to the GEM Listing Rules have been adopted. The primary duties of the Audit Committee are, among other things, to review and supervise the Company's financial reporting process, the risk management and internal control systems of the Group. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chen Yeung Tak, as the chairman of the Audit Committee, Mr. So Chun Man and Ms. Li Amanda Ching Man. The Audit

Committee has reviewed the annual results of the Company for the Year and is of the opinion that such results complied with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (www.doublegain.hk). The annual report of the Company for the Year will be dispatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Gain Plus Holdings Limited
Tsang Chiu Kwan
Chairman and Executive Director

Hong Kong, 5 June 2019

As at the date of this announcement, the executive Directors are Mr. Tsang Chiu Kwan, Mr. Tsang Man Ping and Mr. Lee Alexander Patrick and the independent non-executive Directors are Mr. So Chun Man, Mr. Chen Yeung Tak and Ms. Li Amanda Ching Man.

This announcement will remain on the website of the Stock Exchange at www.hkexnews.hk and in the case of this announcement, on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its posting. This announcement will also be published on the website of the Company at www.doublegain.hk.