MILESTONE

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 2017

RESULTS HIGHLIGHTS

- Revenue for the year ended 31 March 2017 was approximately HK$407.3 million, representing an increase of 12.7% from approximately HK$361.4 million for the year ended 31 March 2016.
- Gross profit for the year ended 31 March 2017 was approximately HK$59.8 million, representing an increase of 10.1% from approximately HK$54.3 million for the year ended 31 March 2016.
- Administrative expenses for the year ended 31 March 2017 were approximately HK$46.6 million, representing an increase of 100.9% from approximately HK$23.2 million for the year ended 31 March 2016, mainly due to increase in listing expenses of approximately HK$12.5 million.
- Profit attributable to the owners of the Company for the year ended 31 March 2017 was approximately HK$8.1 million, representing a decrease of 66.7% from approximately HK$24.3 million for the year ended 31 March 2016. If the non-recurring listing expenses were excluded, the Group's adjusted net profit during the year ended 31 March 2017 would be revised to approximately HK$23.6 million, representing a decrease of approximately 13.6% from approximately HK$27.3 million for the year ended 31 March 2016.
- The Board recommended a final dividend of HK0.3 cent per share for the year ended 31 March 2017. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting, the final dividend will be payable on or about 30 September 2017 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 15 September 2017.

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 2017 together with comparative figures for the previous financial year ended 31 March 2016, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

		Year ended 31 March	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**407,320**	361,427
Cost of sales	*5*	**(347,566)**	(307,146)
Gross profit		**59,754**	54,281
Other income	*4*	**828**	407
Other gains/(losses), net		**881**	(99)
Administrative expenses	*5*	**(46,581)**	(23,237)
Operating profit		**14,882**	31,352
Finance income		**81**	60
Finance costs		**(2,279)**	(1,760)
Finance costs, net		**(2,198)**	(1,700)
Profit before income tax		**12,684**	29,652
Income tax expenses	*6*	**(4,538)**	(5,344)
Profit and total comprehensive income attributable to equity holders of the Company		**8,146**	24,308
		HK cents	HK cents
Earnings per share for profit attributable to equity holders of the Company:			
Basic and diluted	*7*	**1.36**	4.05

CONSOLIDATED BALANCE SHEET

As at 31 March 2017

	Note	As at 31 March 2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Investment properties		**654**	—
Property, plant and equipment		**15,665**	14,075
Deferred income tax assets		**1,335**	199
Financial assets at fair value through profit or loss		**—**	10,696
Long-term deposits and prepayments	*8*	**660**	167
		18,314	25,137
Current assets			
Trade, retention and other receivables, deposits and prepayments	*8*	**92,343**	65,666
Amounts due from customers for contract works	*9*	**111,644**	50,619
Amounts due from related companies		**3,276**	3,541
Amounts due from shareholders		**—**	10,123
Current income tax recoverable		**4,583**	4,442
Pledged deposits		**5,000**	500
Cash and cash equivalents (excluding bank overdrafts)		**11,988**	11,544
		228,834	146,435
Total assets		**247,148**	171,572
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**1**	—
Reserves		**49,618**	58,231
Total equity		**49,619**	58,231

CONSOLIDATED BALANCE SHEET (continued)
As at 31 March 2017

		As at 31 March	
		2017	2016
	Note	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		**1,131**	1,653
Deferred income tax liabilities		**897**	471
		2,028	2,124
Current liabilities			
Trade and other payables and accruals	*10*	**119,652**	62,245
Amounts due to customers for contract work	*9*	**13,883**	10,663
Amounts due to related companies		**10**	1,488
Current income tax payables		**—**	154
Borrowings	*11*	**60,820**	35,531
Current portion of obligations under finance leases		**1,136**	1,136
		195,501	111,217
Total liabilities		**197,529**	113,341
Total equity and liabilities		**247,148**	171,572

NOTES

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information of the Group

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 PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, the 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 (the "Business").

Prior to the completion of the reorganisation as described in Note 1.2 below (the "Reorganisation"), the Business was principally operated through Milestone Builder Engineering Limited ("Milestone Builder"), Prime Builder Engineering Limited ("Prime Builder"), Speedy Engineering & Trading Company Limited ("Speedy Engineering") and Milestone Specialty Engineering Limited ("Milestone Specialty") (collectively the "Operating Companies") and the Business was ultimately controlled by Mr. Lam Ka Ho ("Mr. Lam"), Mr. Leung Kam Fai ("Mr. Leung"), Mr. Leung Chin Hung Aaron ("Mr. Aaron Leung") and Mr. Lui Sum Wah ("Mr. Lui") (collectively the "Controlling Shareholders").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7 April 2017 (the "Listing").

The consolidated financial statements are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated.

1.2 Reorganisation

In preparing for the Listing, the Group have undergone the Reorganisation to transfer the Business to the Company principally through the following steps:

(i) *Incorporation of the Company and intermediate holding companies*

On 8 June 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.1 each, with one fully paid share issued to the initial subscriber. On 8 June 2016, the subscriber share was transferred to Mr. Leung at par value of HK$0.1 and one newly allotted fully paid share was issued to Mr. Lam at par value of HK$0.1. As a result, the Company is owned as to 50% by Mr. Leung and 50% by Mr. Lam.

On 13 June 2016, Milestone Builder Limited ("Milestone Builder BVI") and Prime Builder Limited ("Prime Builder BVI") were incorporated in the British Virgin Islands ("BVI"). On 6 September 2016, Synda Holdings Limited ("Synda") was incorporated in the BVI. Upon incorporation, each of Milestone Builder BVI, Prime Builder BVI and Synda issued one fully paid share at par value to the Company. As a result, the three BVI companies became wholly-owned subsidiaries of the Company.

(ii) ***Acquisition of the entire interests in Prime Builder***

On 20 September 2016, Milestone Builder, Prime Builder BVI, the Company, Mr. Leung and Mr. Lam entered into a sale and purchase agreement, pursuant to which Prime Builder BVI acquired from Milestone Builder all the issued share capital in Prime Builder in consideration of HK$8,000 and the Company allotting and issuing 1,011 shares and 1,011 shares to Mr. Leung and Mr. Lam, at par value of HK$0.1 per share, respectively, which issue and allotment were completed on 18 November 2016. As a result, Prime Builder became an indirect wholly-owned subsidiary of the Company.

(iii) ***Acquisition of the entire interests in Milestone Builder***

On 20 September 2016, Mr. Leung, Mr. Lam, Milestone Builder BVI and the Company entered into a sale and purchase agreement, pursuant to which Milestone Builder BVI acquired from Mr. Leung and Mr. Lam all the issued share capital in Milestone Builder in consideration of the Company allotting and issuing 3,107 shares and 3,107 shares to Mr. Leung and Mr. Lam, credited as fully paid, respectively, which issue and allotment were completed on 18 November 2016. As a result, Milestone Builder became an indirect wholly-owned subsidiary of the Company.

(iv) ***Acquisition of the entire interest in Speedy Engineering by Synda***

On 20 September 2016, Prime League Holdings Limited ("Prime League"), Synda, the Company, Mr. Leung and Mr. Lam entered into a sale and purchase agreement, pursuant to which Synda acquired from Prime League 55% of the issued share capital in Speedy Engineering in consideration of HK$1 and the Company allotting and issuing 237 shares and 237 shares to Mr. Leung and Mr. Lam, at par value of HK$0.1 per share, respectively, which issue and allotment were completed on 18 November 2016.

On 20 September 2016, Mr. Aaron Leung, Synda and the Company entered into a sale and purchase agreement, pursuant to which Synda acquired from Mr. Aaron Leung 45% of the issued share capital in Speedy Engineering in consideration of HK$1 and the Company allotting and issuing 388 shares to Mr. Aaron Leung, at par value of HK$0.1 per share, which issue and allotment were completed on 18 November 2016.

As a result of the above reorganisation steps, Speedy Engineering became an indirect wholly-owned subsidiary of the Company.

(v) ***Acquisition of the entire interest in Milestone Speciality by Synda***

On 20 September 2016, Prime League, Synda, the Company, Mr. Leung and Mr. Lam entered into a sale and purchase agreement, pursuant to which Synda acquired from Prime League 90% of the issued share capital in Milestone Speciality in consideration of HK$1 and the Company allotting and issuing 405 shares and 405 shares to Mr. Leung and Mr. Lam, at par value of HK$0.1 per share, respectively, which issue and allotment were completed on 18 November 2016.

On 20 September 2016, Mr. Lui, Synda and the Company entered into a sale and purchase agreement, pursuant to which Synda acquired from Mr. Lui 10% of the issued share capital in Milestone Specialty in consideration of HK$1 and the Company allotting and issuing 90 shares to Mr. Lui, at par value of HK$0.1 per share, which issue and allotment were completed on 18 November 2016.

As a result of the above reorganisation steps, Milestone Speciality became an indirect wholly-owned subsidiary of the Company.

After the completion of the reorganisation steps as described above, the Company became the holding company of the subsidiaries now comprising the Group.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Business has been conducted by the Operating Companies. Pursuant to the Reorganisation, the Business were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the consolidated financial statements is prepared in accordance with HKFRS 10, Consolidated Financial Statements, issued by the HKICPA, using the carrying values of the Business under the Controlling Shareholders for all the years presented, or since the respective dates of incorporation/establishment of the subsidiaries within the Group, or since the date when the subsidiaries within the Group first came under the control of the Controlling Shareholders, whichever is later.

Intercompany transactions, balances and unrealised gains/losses on transactions between subsidiaries now comprising the Group are eliminated upon consolidation.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair values.

The preparation of the financial statements in conformity with HKFRSs 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 policy and disclosures

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

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning 1 April 2016:

- Accounting for acquisitions of interests in joint operations — Amendments to HKFRS 11
- Clarification of acceptable methods of depreciation and amortisation — Amendments to HKAS 16 and HKAS 38
- Annual improvements to HKFRSs 2012 – 2014 cycle, and
- Disclosure initiative — Amendments to HKAS 1.

The adoption of these amendments did not have any material impact to the financial statements of the Group.

(b) ***New standards and amendments to existing standards not yet adopted:***

The following are new standards and amendments to existing standards that have been published but are not yet effective for the annual periods beginning after 1 April 2016 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKAS 7 (Amendment)	Disclosure initiative	1 January 2017
HKAS 12 (Amendment)	Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4	Insurance contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Management is in the process of assessing the impact of these new standards and amendments to existing standards and set out below are the expected impact on the Group's financial performance and position:

HKFRS 9 "Financial instrument" addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair values with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities, there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in the other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and the "hedged ratio" to be the same as that used by management for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The Group considers that there will be no material adverse change in the credit risks in respect of the Group's future financial assets and the adoption of the new expected credit losses model under HKFRS 9 will not have significant impact on its financial performance and position. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control.

HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligation are identified. The adoption of HKFRS 15 will have an impact on the Group's revenue recognition of construction contracts and the Group expects that it may have impact on the amounts and disclosures made in the Group's financial statements and is not yet in a position to provide quantified information. The new standard is not expected to apply until the financial year ended 31 March 2019.

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The Group is a lessee of various properties which are currently classified as operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments, which are not reflected in the consolidated balance sheet, of HK$7,558,000, see note 13.

The accounting for lessors will not significantly change.

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated balance sheet. Instead, when the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus, each lease will be mapped in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet. As for the financial performance impact in the consolidated statement of comprehensive income, rental expenses will be replaced with straight-line depreciation expense on the right-of-use asset and interest expenses on the lease liability. The combination of the straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until the financial year ended 31 March 2020, and management expects the impacts on the Group's financial results and position upon the adoption of HKFRS 16 are not material.

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. As the Group has only one operating segment that qualifies as reporting segment under HKFRS 8 and the information that is regularly reviewed by the executive directors for the purposes of allocating resources and assessing performance of the operating segment is the consolidated financial statements of the Group, no separate segmental analysis is presented.

The executive directors assess the performance based on a measure of profit after income tax, and consider all business is included in a single operating segment.

Revenue reported in note 4 below represented transactions with third parties and are reported to the executive directors in a manner consistent with that in the consolidated statement of comprehensive income.

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$407,320,000 (2016: HK$361,427,000) are derived from external customers in Hong Kong for the year ended 31 March 2017.

For the year ended 31 March 2017, there was 1 customer (2016: 2 customers), which individually contributed over 10% of the Group's total revenue. During the years ended 31 March 2016 and 2017, the revenue contributed from each of these customers was as follows:

	Year ended 31 March 2017 *HK$'000*
Customer A	**197,361**

	Year ended 31 March 2016 *HK$'000*
Customer A	82,714
Customer B	82,974

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

4. REVENUE AND OTHER INCOME

The Group's revenue and other income recognised during the years ended 31 March 2016 and 2017 are as follows:

	Year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Revenue:		
Building construction services	**278,444**	210,976
Alteration, addition, fitting-out works and building services	**100,561**	120,515
Repair and restoration of historic buildings	**28,315**	29,936
	407,320	361,427
Other income:		
— Rental income	**99**	195
— Sundry income	**729**	212
	828	407

5. EXPENSES BY NATURE

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

	Year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Construction cost recognised in cost of sales	**347,278**	306,984
Auditor's remuneration		
— Audit services	**1,800**	190
— Non-audit services	**—**	—
Depreciation of property, plant and equipment	**2,846**	2,440
Employee benefit expenses recognised in administrative expenses (including directors' emoluments)	**15,724**	10,847
Operating lease rentals in respect of car parking spaces, office premises and warehouses	**1,596**	749
Entertainment expenses	**1,375**	1,306
Staff welfare and messing	**588**	161
Donations	**12**	30
Motor vehicle expenses	**1,666**	1,351
Bank charges	**1,038**	481
Office expenses	**839**	838
Listing expenses	**15,440**	2,985
Others	**3,945**	2,021
Total cost of sales and administrative expenses	**394,147**	330,383

6. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year ended 31 March 2017.

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

	Year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Current tax:		
Hong Kong profits tax on profits for the year	**5,248**	5,429
Deferred tax	**(710)**	(85)
Income tax expenses	**4,538**	5,344

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

	Year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Profit before income tax	**12,684**	29,652
Tax calculated at 16.5%	**2,093**	4,893
Income not subject to tax	**(126)**	—
Expenses not deductible for tax purposes	**2,571**	451
Income tax expenses	**4,538**	5,344

7. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed on 18 November 2016 and the capitalisation issue of 599,990,000 shares which took place on 7 April 2017 (the "Capitalisation Issue").

	Year ended 31 March	
	2017	2016
Profit attributable to equity holders of the Company (HK$'000)	**8,146**	24,308
Weighted average number of ordinary shares in issue (thousands)	**600,000**	600,000
Basic earnings per share (HK cents)	**1.36**	4.05

(b) Diluted

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive ordinary share outstanding as at 31 March 2016 and 2017.

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

	As at 31 March	
	2017	2016
	HK$'000	*HK$'000*
Current portion		
Trade receivables *(Note (a))*	**55,950**	34,943
Retention receivables *(Note (b))*	**25,977**	23,460
	81,927	58,403
Prepayments, deposits and other receivables:		
Prepayments	**242**	338
Deferred listing expenses	**5,607**	1,273
Deposits	**4,213**	3,418
Other receivables	**354**	2,234
	10,416	7,263
	92,343	65,666
Non-current portion		
Long-term deposits and prepayments	**660**	167
Total	**93,003**	65,833

The deferred listing expenses are incurred in connection with the listing of the Group and will be deducted from equity upon listing of the Group.

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

(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	
	2017	2016
	HK$'000	*HK$'000*
Less than 30 days	**52,693**	27,407
31 – 60 days	**952**	2,340
61 – 90 days	**302**	327
Over 90 days	**2,003**	4,869
	55,950	34,943

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

As at 31 March 2017, trade receivables of HK$3,257,000 (2016: HK$7,536,000) were past due but not impaired. The ageing analysis of these trade receivables, based on due date, is as follows:

	As at 31 March	
	2017	2016
	HK$'000	*HK$'000*
Overdue:		
Less than 30 days	**952**	2,340
31 – 60 days	**302**	327
61 – 90 days	**292**	259
Over 90 days	**1,711**	4,610
	3,257	7,536

(b) Retention receivables

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

The Group does not hold any collateral as security.

9. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	As at 31 March	
	2017	2016
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses	**1,038,746**	707,136
Less: progress billings	**(940,985)**	(667,180)
Balance at end of year	**97,761**	39,956
Analysed for reporting purposes as:		
Amounts due from customers for contract works	**111,644**	50,619
Amounts due to customers for contract works	**(13,883)**	(10,663)
	97,761	39,956

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 31 March	
	2017	2016
	HK$'000	*HK$'000*
Trade payables *(Note (a))*	**75,092**	53,195
Bills payables *(Note (b))*	**11,415**	4,783
	86,507	57,978
Other payables and accruals *(Note (c))*	**33,145**	4,267
	119,652	62,245

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	
	2017	2016
	HK$'000	*HK$'000*
1 – 30 days	**26,580**	19,194
31 – 60 days	**18,314**	13,386
61 – 90 days	**9,771**	4,338
Over 90 days	**20,427**	16,277
	75,092	53,195

(b) Bills payables

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

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

	As at 31 March	
	2017	2016
	HK$'000	*HK$'000*
Due within 30 days	**7,976**	1,598
Due within 31 to 60 days	**—**	2,483
Due within 61 to 90 days	**3,439**	702
	11,415	4,783

(c) Other payables and accruals

	As at 31 March	
	2017	2016
	HK$'000	*HK$'000*
Accrued staff costs and pension obligations	**13,831**	3,608
Receipt in advance from customers	**2,448**	225
Accrued expenses	**2,772**	407
Accrued listing expenses	**11,379**	—
Other payables	**2,715**	27
	33,145	4,267

11. BORROWINGS

	As at 31 March	
	2017	2016
	HK$'000	*HK$'000*
Bank borrowings	**52,047**	31,215
Bank overdrafts	**8,773**	4,316
	60,820	35,531

The Group's borrowings were repayable as follows:

	As at 31 March	
	2017	2016
	HK$'000	*HK$'000*
Portion due for repayment within 1 year	**56,532**	23,927
Portion due for repayment after 1 year but within 2 years which contain a repayment on demand clause	**1,732**	1,715
Portion due for repayment after 2 years but within 5 years which contain a repayment on demand clause	**2,556**	8,664
Portion due for repayment after 5 years which contain a repayment on demand clause	**—**	1,225
	60,820	35,531

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	
	2017	2016
	HK$'000	*HK$'000*
Within 1 year	**47,759**	19,611
Between 1 and 2 years	**1,732**	1,715
Between 2 and 5 years	**2,556**	8,664
Over 5 years	**—**	1,225
	52,047	31,215

As at 31 March 2016 and 2017, the bank borrowings facilities granted to the Group are secured by the following:

(a) Joint and several personal guarantees executed by Mr. Leung, Mr. Lam and Mr. Aaron Leung;

(b) Pledged deposits of HK$5,000,000 (2016: HK$500,000);

(c) Financial assets at fair value through profit or loss amounting to HK$10,696,000 as at 31 March 2016 which have been assigned to the shareholders and the pledge has been released on 14 December 2016 (note 12);

(d) The Group's land and buildings amounting to HK$7,940,000 (2016: HK$8,190,000);

(e) Pledged properties of a related company and of Mr. Lam's family members located in Hong Kong;

(f) Guarantees executed by the Government of the HKSAR (the "Government") under Small and Medium Enterprise Loan Guarantee Scheme; and

(g) Corporate guarantees executed by the subsidiaries of the Group.

The above guarantees given by Mr. Leung, Mr. Lam and Mr. Aaron Leung, pledge of properties of a related company and of Mr. Lam's family members, are in the process of being released and replaced by the guarantees of the Company.

The carrying amounts of bank borrowings approximate their fair values.

These borrowing carry floating rates at Prime Rate, Hong Kong Interbank Offered Rate ("HIBOR") or London Interbank Offered Rate ("LIBOR") plus or minus a margin and the exposure of these bank borrowings to interest rate charges and the contractual repricing dates are six months or less. The weighted average interest rates are 4.8% per annum (2016: 4.4% per annum) as at 31 March 2017.

As at 31 March 2016 and 2017, the exposure of the Group's borrowings to interest rate changes and the contractual repricing date at the end of the year are as follows:

	As at 31 March	
	2017	2016
	HK$'000	*HK$'000*
Within 6 months	**55,949**	35,202
Between 6 and 12 months	**1,450**	329
Between 1 and 5 years	**3,421**	—
	60,820	35,531

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 March	
	2017	2016
	HK$'000	*HK$'000*
HK$	**60,820**	29,751
US$	**—**	5,780
	60,820	35,531

As at 31 March 2017, total undrawn bank facilities amounted to approximately HK$7,135,000 (2016: HK$20,767,000).

12. DIVIDENDS

The Board recommend a final dividend of HK0.3 cent per share, amounting to HK$2,400,000 for the year ended 31 March 2017. The proposed final dividend for the year is subject to approval by the shareholders of the Company in the forthcoming annual general meeting on 7 September 2017. These financial results do not reflect this dividend payable.

The dividends declared and paid by the subsidiaries of the Group to their then shareholders during the years ended 31 March 2016 and 2017 were as follows:

	Year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Dividends	**16,758**	6,340

On 15 September 2016, Milestone Builder declared an interim dividend of HK$16,758,000, of which HK$10,982,000 has been set off against the then amounts due from shareholders. The remaining dividend payable of HK$5,776,000 has been dealt with by way of assigning the Group's financial assets at fair value through profit or loss of (amounted to HK$11,555,000); and related bank borrowings (amounted to HK$5,779,000) against which these financial assets has been pledged, to the shareholders.

13. COMMITMENTS

(a) Operating lease commitments — Group company as lessee

The Group leases car parking spaces, office premises and warehouses under non-cancellable operating lease agreements. The lease terms are ranged from 2 to 3 years and the lease arrangements are renewable at the end of the lease period at market rate. The lease expenditure charged to the consolidated statement of comprehensive income during the year is included in note 5.

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

	As at 31 March	
	2017	2016
	HK$'000	*HK$'000*
No later than 1 year	**3,158**	840
Later than 1 year and no later than 5 years	**4,400**	382
	7,558	1,222

(b) Operating lease commitments — Group company as lessor

The Group had contracted with a lessee for leasing a warehouse under a non-cancellable operating lease agreement. As at 31 March 2017, the lease term is 3 years and the lease arrangement is renewable at the end of the lease period at market rate.

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

	As at 31 March	
	2017	2016
	HK$'000	*HK$'000*
No later than 1 year	**57**	—
Later than 1 year and no later than 5 years	**114**	—
	171	—

14. CONTINGENCIES

At 31 March 2016 and 2017, the Group's contingent liabilities were as follows:

	As at 31 March	
	2017	2016
	HK$'000	*HK$'000*
Surety bonds *(Note)*	**12,889**	11,335

Note: As at 31 March 2017, the Group provided guarantees of surety bonds in respect of 5 (2016: 3) 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.

15. SUBSEQUENT EVENTS

On 7 April 2017, the Company issued additional 599,990,000 shares, credited as fully paid, to the Controlling Shareholders of the Company, by way of capitalisation of HK$59,999,000 standing to the credit of the Company's share premium account.

On 7 April 2017, the shares of the Company were listed on the Main Board of the Stock Exchange. In connection with the Listing completed on 7 April 2017, the Company issued a total of 200,000,000 shares at a price of HK$0.52 per share for a total proceeds (before related fees and expenses) of HK$104,000,000.

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; and (iii) repair and restoration of historic buildings.

Business Review

The following table sets out a breakdown of our total revenue during the year ended 31 March 2017 and the comparative year according to our three major types of services:

	Year ended 31 March			
	2017		2016	
	HK$'000	*%*	*HK$'000*	*%*
Building construction services	**278,444**	**68.4**	210,976	58.4
Alteration, addition, fitting-out works and building services	**100,561**	**24.7**	120,515	33.3
Repair and restoration of historic buildings	**28,315**	**6.9**	29,936	8.3
Total	**407,320**	**100.0**	361,427	100.0

As at 31 March 2017, there were 8, 33 and 4 on-going projects in progress, pertaining to (i) building construction services, (ii) alteration, addition, fitting-out works and building services, and (iii) repair and restoration of historic buildings, respectively. We had no major projects awarded to us but yet to commence as at 31 March 2017.

As at 31 March 2017, the aggregate amount of revenue expected to be recognised after 31 March 2017 of our on-going projects was approximately HK$573.2 million.

The following table set out our completed contracts during the year ended 31 March 2017 with contract sum of HK$3 million or above:

Particulars of project	Main category of works	Project period
Superstructure works of a new columbarium building at a cemetery in Chai Wan	Building construction services	November 2014 to May 2016
Design and build for the proposed new compound and airlines offices in or nearby the Hong Kong International Airport	Building construction services	June 2014 to July 2016
Design and build for a storage in Yuen Long	Building construction services	June 2014 to January 2017
Construction of soccer pitch in Yuen Long	Building construction services	October 2013 to May 2016
Campus development of an institute in Tseung Kwan O	Alteration, addition, fitting-out works and building services	May 2015 to June 2016
Construction of uninterruptible power supplies room and refurbishment of server room and associated building services installation for a Government office in Tai Po	Alteration, addition, fitting-out works and building services	November 2015 to July 2016
Improvement to barrier free access facilities to a columbarium in Sha Tin	Alteration, addition, fitting-out works and building services	September 2015 to September 2016
Refurbishment of roofs and booking office for a municipal services building in Tsuen Wan	Alteration, addition, fitting-out works and building services	November 2015 to April 2016

The following table set out brief details of our projects in progress as at 31 March 2017 with contract sum of more than HK$3 million:

Particulars of project	Main category of works	Expected project period
Hong Kong, Zhuhai, Macao bridge ancillary building works	Building construction services	August 2015 to October 2017
Hong Kong, Zhuhai, Macao bridge boundary crossing facilities	Building construction services	July 2016 to August 2017
Hong Kong, Zhuhai, Macao Bridge steel and metal works	Building construction services	July 2016 to August 2017
Design and construction for new artificial turf system for a soccer field in a school in Kowloon	Building construction services	June 2016 to October 2016
Construction of new buildings in Mong Kok	Building construction services	September 2015 to December 2016
Design and build for school extension and improvement projects	Building construction services	August 2016 to August 2018
Design and construction for a proposed recreational ground in a school	Building construction services	May 2016 to November 2016
Upgrading two artificial turfs of a university	Building construction services	December 2016 to March 2018
Alteration and addition works of a club in Causeway Bay	Alteration, addition, fitting-out works and building services	August 2015 to January 2017
Lobby and driveway renovation of a hotel in Tsim Sha Tsui	Alteration, addition, fitting-out works and building services	August 2016 to December 2016
Enabling works for network in Hung Hom	Alteration, addition, fitting-out works and building services	September 2016 to November 2016
Plumbing and drainage installation works	Alteration, addition, fitting-out works and building services	March 2016 to June 2017

The following table set out brief details of our projects in progress as at 31 March 2017 with contract sum of more than HK$3 million (continued):

Particulars of project	Main category of works	Expected project period
Electricity works of a water treatment plant in Tai Po	Alteration, addition, fitting-out works and building services	September 2016 to July 2017
Replacement of existing lifting machines in Yuen Long	Alteration, addition, fitting-out works and building services	September 2016 to May 2017
Fitting-out works for a delivery office in Tseung Kwan O	Alteration, addition, fitting-out works and building services	November 2016 to January 2017
Alteration & additional works for a retail network project in Hung Hom	Alteration, addition, fitting-out works and building services	November 2016 to July 2017
Refurbishment of seats & carpets in an auditorium in Kwai Chung	Alteration, addition, fitting-out works and building services	March 2017 to August 2017
Provision of children's play equipment and facilities for the elderly in sitting-out area in Tuen Mun	Alteration, addition, fitting-out works and building services	January 2017 to December 2017
Advance works for utility diversion for extension of a clubhouse in Happy Valley	Alteration, addition, fitting-out works and building services	December 2016 to April 2017
Fitting-out works to lift lobby and atrium for a commercial development in Shek Mun	Alteration, addition, fitting-out works and building services	April 2016 to September 2016
Electrical works for a holiday camp in Sai Kung	Alteration, addition, fitting-out works and building services	September 2016 to December 2017
Plumbing, sanitaryware and above ground drainage installation in a redevelopment project in Wan Chai	Alteration, addition, fitting-out works and building services	October 2016 to October 2017
Alteration and addition works for a project in Yuen Long	Alteration, addition, fitting-out works and building services	March 2017 to June 2018

The following table set out brief details of our projects in progress as at 31 March 2017 with contract sum of more than HK$3 million (continued):

Particulars of project	Main category of works	Expected project period
Revitalisation and conservation for a cluster of house in Wan Chai	Repair and restoration of historic buildings	September 2013 to April 2017
Conservation works for the revitalisation at a former magistracy in Fanling	Repair and restoration of historic buildings	July 2016 to May 2017

Major Licenses, Qualifications and Certifications

As at 28 June 2017, 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 — 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 2017	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 2017	Not Applicable

Relevant authority/ Organisation	Relevant list/Category	License	Holder	Date of first grant/ Registration	Expiry date for existing license	Authorised contract value
Buildings Department	Certificate of Registration of Specialist Contractor[9]	Site Formation Works[10]	Milestone Builder	27 September 2006	10 September 2018	Not Applicable
Buildings Department	Certificate of Registration of Registered Minor Works Contractor	Type A, B, D, G (Class II & III)	Speedy Engineering	7 March 2013	7 March 2019	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 $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 The current license was granted on 28 August 2014 and will expire on 14 October 2017.

(Registered general building contractors (RGBC) may carry out general building works and street works which do not include any specialized 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 specialized works in their corresponding categories in the sub-registers in which they have been entered. There are five categories of works designated as specialized works: demolition works, foundation works, ground investigation field works, site formation works and ventilation works.

10 All site formation works are specialized works of the site formation category save for the circumstances specified by the Buildings Department.

Development of the Group

The shares of the Company were listed on the Stock Exchange on 7 April 2017 (the "Listing"). The Listing enhances the Group's financial capabilities in business operation, and brings a positive effect on the Group's position and business opportunities in the market.

Financial Review

Revenue

Our overall revenue increased by approximately HK$45.9 million, or approximately 12.7%, from approximately HK$361.4 million for the year ended 31 March 2016 to approximately HK$407.3 million for the year ended 31 March 2017. The growth in our revenue was mainly attributable to contract works undertaken for private customers, for the service category of building construction services with our Group acting as subcontractors for these projects.

Gross Profit and Gross Profit Margin

The Group's gross profit increased from approximately HK$54.3 million during the year ended 31 March 2016 to approximately HK$59.8 million during the year ended 31 March 2017. In addition, the Group's gross profit margin slightly decreased from approximately 15.0% during year ended 31 March 2016 to approximately 14.7% during the year ended 31 March 2017. The Directors consider that the overall gross profit margin has been maintained at a healthy position throughout the year.

Administrative Expenses

The Group's administrative expenses were increased from approximately HK$23.2 million during the year ended 31 March 2016 to approximately HK$46.6 million during the year ended 31 March 2017 and such increase was mainly attributable to (i) increase in non-recurring Listing expenses of approximately HK$12.5 million; (ii) increase in staff costs and Directors' remuneration totalling approximately HK$4.9 million during the year ended 31 March 2017 as compared with the previous year.

Net Profit and Adjusted Net Profit

During the year ended 31 March 2017, the Group reported a net profit of approximately HK$8.1 million (31 March 2016: approximately HK$24.3 million), representing a decrease of approximately 66.7% as compared with the last year. If the non-recurring Listing expenses were excluded, the Group's adjusted net profit during the year ended 31 March 2017 would be revised to approximately HK$23.6 million (31 March 2016: approximately HK$27.3 million), representing a decrease of approximately 13.6%.

Note: the calculation of the adjusted net profit disregards tax effect.

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.

— **Inaccurate estimation 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.

— **Failure to obtain 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.

— **Irregular 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 regular and consistent and there is no assurance that the profitability of a project can be maintained or estimated at any level. If the profit margin of the project significantly deviates from the estimation of the Directors, our Group's financial position could be adversely affected.

— **Reduction of construction works in Hong Kong**

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

DEBTS AND CHARGE ON ASSETS

The total interest bearing bank borrowings of the Group, including bank loans and finance leases, was approximately HK$63.1 million as at 31 March 2017, increased from approximately HK$38.3 million as at 31 March 2016. These banking facilities were secured by the Group's assets which details disclosed in note 11 to this announcement. Borrowings were denominated mainly in Hong Kong dollars and interest rate of bank borrowings were charged at 3.3%–7.0%. The Group currently does not have an interest rate hedging policy while the Group monitors interest rate risks continuously.

Save as disclosed above, we did not have, at the closure of business on 31 March 2017, any loan capital issued nor any outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities except those disclosed in notes 13 and 14 to this announcement.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has normally funded the liquidity and capital requirements primarily through capital contributions from the shareholders, bank borrowings and net cash generated from the operating activities.

As at 31 March 2017, the Group had cash and cash equivalents (excluding bank overdrafts) of approximately HK$12.0 million (31 March 2016: approximately HK$11.5 million). The Group's gearing ratio and current ratio are as follows:

	As at 31 March	
	2017	2016
Current ratio	**1.2**	1.3
Gearing ratio	**51%**	31%

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 borrowings and obligation under finance leases, less cash and cash equivalents (excluding bank overdrafts)) divided by total capital (summation of equity plus net debt).

The financial resources presently available to the Group include bank borrowings, and we have sufficient working capital for our future requirements. During the year, the Group has not employed any financial instrument for hedging purposes.

USE OF NET PROCEEDS FROM THE LISTING

As disclosed in the Company's Prospectus dated 22 March 2017 (the "Prospectus"), the Group intends to apply the net proceeds from the share offer, after deducting related underwriting fees and Listing expenses, of approximately HK$75.9 million as follows:

— approximately HK$36.0 million, representing approximately 47.4% of the net proceeds, will be used for financing the capital input and upfront costs (including but not limited to construction material costs and subcontracting costs, equipment and tooling expenses, insurance and sundry site expenses) to upcoming projects;

— approximately HK$13.0 million, representing approximately 17.1% of the net proceeds, will be used for the purchase of surety bonds;

— approximately HK$11.4 million, representing approximately 15.0% of the net proceeds, will be used for increasing the employed capital of the Group for obtaining licenses such as Group B (probation) license of Approved Contractors for Public Works — Buildings Category from the Works Branch Development Bureau and/or the Group M2 license under the maintenance works category of building contractors from the Housing Authority;

— approximately HK$4.3 million, representing approximately 5.7% of the net proceeds, will be used for repayment of current bank borrowings of the Group to reduce its future finance cost;

— approximately HK$3.3 million, representing approximately 4.3% of the net proceeds, will be used for employing additional staff, such as project managers, site foremen, quantity surveyors, accounting and administration staff, for the expansion of business;

— approximately HK$0.5 million, representing approximately 0.7% of the net proceeds, will be used for investing in building information modelling software, which includes upgrading the computer system and software of the Group and to provide necessary training to the staff; and

— approximately HK$7.4 million or approximately 9.8% of the net proceeds, will be used as general working capital of the Group.

The Group was listed on 7 April 2017. None of the proceeds has been used as at 31 March 2017.

PROSPECTS

The Group expects a steady growth in the construction industry in Hong Kong in view of the Government's policy in infrastructure development plans. Moreover, the Government's policies to stimulate urban renewal plans and to revitalise old industrial buildings provide greater market opportunities to public contractors in Hong Kong.

We will continue to leverage on our various licenses and qualifications and extensive experience in construction industry and to participate in the forthcoming projects in order to strengthen our position in the Hong Kong market. We also intend to enhance our information technology system and database by implementing the Building Information Modelling software for better project monitoring and control and will continue to invest in our employees, and to recruit and train suitable personnel for our business.

FOREIGN EXCHANGE EXPOSURE

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. As at 31 March 2017 and for the year ended 31 March 2017, the Group has not implemented or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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. In preparation of the listing of the Company's shares on the Stock Exchange, the Group underwent the Reorganisation pursuant to which the Company became the holding company of the subsidiaries now comprising the Group on 18 November 2016.

Apart from the Reorganisation in relation to the Listing, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2017.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 March 2017.

LEASE COMMITMENTS

The Group leases car parking spaces, office premises and warehouses under non-cancellable operating lease agreements. The lease terms are 2 to 3 years and the lease arrangements are renewable at the end of the lease period at market rate.

The Group had contracted with a lessee for leasing a warehouse under a non-cancellable operating lease agreement. The lease term is 3 years and the lease arrangement is renewable at the end of the lease period at market rate.

CONTINGENT LIABILITIES

Save as disclosed in note 14 to this announcement, the Group had no other contingent liabilities as at 31 March 2017.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this announcement, there is no material subsequent event undertaken by the Company or by the Group after 31 March 2017 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2017, the Group had 558 employees (31 March 2016: 251 employees). Most of the Group's employees were site workers in Hong Kong. The remuneration policy and package of the Group's employees were periodically reviewed. Apart from Mandatory Provident Fund, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance. The total staff costs incurred by the Group during the year ended 31 March 2017 was approximately HK$113.4 million (31 March 2016: approximately HK$65.5 million).

OTHER INFORMATION

Dividends

Before the shares of the Company were listed on the Stock Exchange, during the year ended 31 March 2017, Milestone Builder declared an interim dividend of HK$16,758,000 to its then shareholders as disclosed in note 12 to this announcement.

The Board recommended a final dividend of HK0.3 cent per share for the year ended 31 March 2017. Subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Thursday, 7 September 2017 (the "2017 AGM"), the final dividend will be payable on or about 30 September 2017 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 15 September 2017.

Closure of Register of Members

For determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Monday, 4 September 2017 to Thursday, 7 September 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the 2017 AGM, unregistered holders of shares of the Company shall 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 for registration not later than 4:30 p.m. on Friday, 1 September 2017.

For determining the entitlement to the proposed final dividend (subject to approval by shareholders at the 2017 AGM), the register of members of the Company will be closed from Thursday, 14 September 2017 to Friday, 15 September 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify to the proposed final dividend, unregistered holders of shares of the Company shall 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 for registration not later than 4:30 p.m. on Wednesday, 13 September 2017.

Compliance with the Corporate Governance Code

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") since its Listing.

As the shares of the Company were only listed on the Stock Exchange on 7 April 2017, the CG Code was not applicable to the Company during the year ended 31 March 2017. Throughout the period from the Listing Date to the date of this announcement, the Board is of the opinion that the Company had complied with the applicable code provisions as set out in the CG Code except for the deviation from code provision A.2.1 of the CG Code.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Leung Kam Fai 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 of three Independent Non-Executive Directors and two Executive Directors also provides added independence to the Board. Further, the Audit Committee composed exclusively of Independent Non-Executive Directors has free and direct access to the Company's external auditors and independent professional advisers when it considers necessary.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules upon the Listing. All the Directors have confirmed that they have complied with the required standard set out in the Model Code during the period from the Listing Date to the date of this announcement 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.

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 since the Listing Date up to the date of this announcement.

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 deal clearly with its authority and duties.

The Group's annual results for the year ended 31 March 2017 have been reviewed by the Audit Committee.

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 2017 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 2017 containing all relevant information required by the Listing Rules will be despatched to shareholders of the Company and published on the designated website of the Stock Exchange (www.hkexnews.hk) and the Company's website (http://milestone.hk) in due course.

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

Hong Kong, 28 June 2017

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