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**Milestone Builder Holdings Limited**

**進階發展集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1667)**

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED 31 MARCH 2021**

**RESULTS HIGHLIGHTS**

- Revenue for the year ended 31 March 2021 was approximately HK\$122.9 million, representing a decrease of 52.9% from approximately HK\$261.0 million for the year ended 31 March 2020.
- Gross loss for the year ended 31 March 2021 was approximately HK\$16.9 million (31 March 2020: gross profit of approximately HK\$22.3 million).
- Administrative expenses for the year ended 31 March 2021 were approximately HK\$32.6 million (31 March 2020: approximately HK\$31.8 million).
- Loss for the year attributable to owners of the Company was approximately HK\$52.8 million (31 March 2020: approximately HK\$17.0 million).

## FINANCIAL RESULTS

The board of directors (the “Board” or the “Directors”) of Milestone Builder Holdings Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (collectively the “Group” or “our Group” or “we” or “our”) for the year ended 31 March 2021 together with comparative figures for the previous financial year ended 31 March 2020, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2021*

|   | <i>Notes</i> | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| <b>REVENUE</b>  | 4            | <b>122,852</b>                 | 260,950                 |
| Cost of sales   |              | <u>(139,775)</u>               | <u>(238,678)</u>        |
| <b>Gross (loss)/profit</b>  |              | <b>(16,923)</b>                | 22,272                  |
| Other income and gains, net   | 5            | <b>15,023</b>                  | 2,471                   |
| Administrative expenses   |              | <b>(32,584)</b>                | (31,831)                |
| Fair value loss on a financial asset at fair value through profit or loss |              | <b>(2,085)</b>                 | –                       |
| Fair value gains/(losses) on investment properties                        | 10           | <b>74</b>                      | (280)                   |
| Other expenses  |              | <b>(6,267)</b>                 | (78)                    |
| Finance costs   |              | <u><b>(9,691)</b></u>          | <u>(9,433)</u>          |
| <b>LOSS BEFORE TAX</b>  | 6            | <b>(52,453)</b>                | (16,879)                |
| Income tax expense  | 7            | <u><b>(357)</b></u>            | <u>(159)</u>            |
| <b>LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>            |              | <u><b>(52,810)</b></u>         | <u>(17,038)</u>         |

|  | <i>Note</i> | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i>       |
|--|-------------|--------------------------------|-------------------------------|
| <b>OTHER COMPREHENSIVE INCOME</b>  |             |                                |                               |
| <i>Item that may be reclassified to profit or loss<br/>in subsequent periods</i>       |             |                                |                               |
| Exchange differences on translation of foreign operations                              |             | <u>521</u>                     | <u>–</u>                      |
| <b>OTHER COMPREHENSIVE INCOME FOR THE YEAR,<br/>NET OF TAX</b>                         |             | <u>521</u>                     | <u>–</u>                      |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR<br/>ATTRIBUTABLE TO OWNERS OF THE COMPANY</b> |             | <u>(52,289)</u>                | <u>(17,038)</u>               |
|  |             | <i>HK cents<br/>per share</i>  | <i>HK cents<br/>per share</i> |
| <b>Loss per share attributable to owners of the Company:</b>                           |             |                                |                               |
| Basic  | 9           | <u>(5.88)</u>                  | <u>(2.13)</u>                 |
| Diluted  | 9           | <u>(5.88)</u>                  | <u>(2.13)</u>                 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

|  | Notes | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>NON-CURRENT ASSETS</b>                                |       |                  |                  |
| Investment properties                                    | 10    | 35,595           | 22,330           |
| Property, plant and equipment                            |       | 53,555           | 521              |
| Right-of-use assets                                      |       | 4,665            | 5,371            |
| Financial asset at fair value through profit or loss     |       | 9,571            | –                |
| Goodwill   |       | 15,577           | –                |
| Deferred tax assets                                      |       | 5,913            | 492              |
| Long-term deposits                                       | 11    | 815              | 80               |
|  |       | <u>125,691</u>   | <u>28,794</u>    |
| <b>Total non-current assets</b>                          |       |                  |                  |
| <b>CURRENT ASSETS</b>                                    |       |                  |                  |
| Amounts due from joint ventures                          |       | 419              | 18,221           |
| Amounts due from related companies                       |       | –                | 2,696            |
| Trade and other receivables,<br>deposits and prepayments | 11    | 31,649           | 25,502           |
| Contract assets  | 12    | 229,352          | 262,066          |
| Tax recoverable  |       | 775              | 6,250            |
| Pledged deposits   |       | –                | 26,157           |
| Cash and bank balances                                   |       | 17,225           | 23,268           |
|  |       | <u>279,420</u>   | <u>364,160</u>   |
| <b>Total current assets</b>                              |       |                  |                  |
| <b>CURRENT LIABILITIES</b>                               |       |                  |                  |
| Amount due to a joint venture                            |       | 280              | –                |
| Amount due to a related company                          |       | –                | 2                |
| Contract liabilities                                     | 12    | 16,481           | 5,360            |
| Trade and other payables and accruals                    | 13    | 80,095           | 141,021          |
| Tax payable  |       | –                | 25               |
| Bank and other borrowings                                | 14    | 78,265           | 102,487          |
| Lease liabilities  |       | 3,119            | 3,354            |
|  |       | <u>178,240</u>   | <u>252,249</u>   |
| <b>Total current liabilities</b>                         |       |                  |                  |
| <b>NET CURRENT ASSETS</b>                                |       |                  |                  |
|  |       | <u>101,180</u>   | <u>111,911</u>   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>             |       |                  |                  |
|  |       | <u>226,871</u>   | <u>140,705</u>   |

|   | <i>Note</i> | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| <b>NON-CURRENT LIABILITIES</b>                      |             |                                |                         |
| Bank and other borrowings                           | 14          | <b>73,527</b>                  | –                       |
| Loans from shareholders                             | 14          | <b>57,883</b>                  | 13,337                  |
| Lease liabilities                                   |             | <b>2,084</b>                   | 2,242                   |
| Deferred tax liabilities                            |             | <b>1,495</b>                   | 155                     |
|   |             | <hr/>                          | <hr/>                   |
| <b>Total non-current liabilities</b>                |             | <b>134,989</b>                 | 15,734                  |
|   |             | <hr/>                          | <hr/>                   |
| <b>Net assets</b>                                   |             | <b>91,882</b>                  | 124,971                 |
|   |             | <hr/> <hr/>                    | <hr/> <hr/>             |
| <b>EQUITY</b>                                       |             |                                |                         |
| <b>Equity attributable to owners of the Company</b> |             |                                |                         |
| Share capital                                       |             | <b>96,000</b>                  | 80,000                  |
| Reserves  |             | <b>(4,118)</b>                 | 44,971                  |
|   |             | <hr/>                          | <hr/>                   |
| <b>Total equity</b>                                 |             | <b>91,882</b>                  | 124,971                 |
|   |             | <hr/> <hr/>                    | <hr/> <hr/>             |

## NOTES

### 1. CORPORATE AND GROUP INFORMATION

Milestone Builder Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company’s registered office is 2nd Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman KY1-1103, Cayman Islands. The principal place of business of the Company is located at Unit 1, 17th floor, Office Tower 1, the Harbourfront, 18 Tak Fung Street, Kowloon.

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

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

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and a financial asset at fair value through profit or loss which have been measured at fair value.

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year’s financial statements.

|  |                                       |
|--|---------------------------------------|
| Amendments to HKFRS 3                      | <i>Definition of a Business</i>       |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | <i>Interest Rate Benchmark Reform</i> |
| Amendments to HKAS 1 and HKAS 8            | <i>Definition of Material</i>         |

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 April 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) Construction and engineering services – principally engaged in the provision of (i) building construction services; (ii) alteration, addition, fitting-out works and building services; and (iii) repair and restoration of historic buildings in Hong Kong; and
- (b) Property development and investment – principally engaged in the property development and investment business in Hong Kong and Japan.

The Group’s revenue from external customers from each operating segment is set out in note 4 to the financial statements.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. The management assesses the performance of the operating segments based on a measure of adjusted earnings before interest expense, taxes, depreciation and amortisation (“EBITDA”)/loss before interest expense, taxes, depreciation and amortisation (“LBITDA”) excluding fair value gains/ (losses) on investment properties.

|  | <b>Construction<br/>and engineering<br/>services<br/>HK\$’000</b> | <b>Property<br/>development<br/>and investment<br/>HK\$’000</b> | <b>Total<br/>HK\$’000</b> |
|--|---|---|---------------------------|
| <b>Year ended 31 March 2021</b>  |   |   |                           |
| Segment revenue  | <b>122,208</b>  | <b>644</b>  | <b>122,852</b>            |
| Segmental EBITDA/(LBITDA) (excluding fair value gains<br>on investment properties) | <b>(45,249)</b>   | <b>370</b>  | <b>(44,879)</b>           |
| Depreciation   | <b>(4,109)</b>  | <b>(117)</b>  | <b>(4,226)</b>            |
| Fair value gains on investment properties, net                                     | <b>–</b>  | <b>74</b>   | <b>74</b>                 |
| Segment results  | <b>(49,358)</b>   | <b>327</b>  | <b>(49,031)</b>           |
| Reconciliation:  |   |   |                           |
| Bank interest income   |   |   | <b>39</b>                 |
| Discount at initial recognition on interest-free loans<br>from former shareholders |   |   | <b>8,315</b>              |
| Finance costs  |   |   | <b>(9,691)</b>            |
| Fair value loss on a financial asset at fair value<br>through profit or loss       |   |   | <b>(2,085)</b>            |
| Loss before tax  |   |   | <b>(52,453)</b>           |
| Income tax expense   |   |   | <b>(357)</b>              |
| Loss for the year attributable to owners of the Company                            |   |   | <b>(52,810)</b>           |



|   | Construction<br>and engineering<br>services<br><i>HK\$'000</i> | Property<br>development<br>and investment<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|--|--|--------------------------|
| <b>Year ended 31 March 2020</b>   |  |  |                          |
| Segment revenue   | 260,728  | 222  | 260,950                  |
| Segmental EBITDA/(LBITDA) (excluding fair value losses<br>on investment properties) | (4,070)  | 116  | (3,954)                  |
| Depreciation  | (4,848)  | –  | (4,848)                  |
| Fair value losses on investment properties  | –  | (280)  | (280)                    |
| Segment results   | (8,918)  | (164)  | (9,082)                  |
| Reconciliation:   |  |  |                          |
| Bank interest income  |  |  | 139                      |
| Discount at initial recognition on interest-free loans<br>from shareholders         |  |  | 1,497                    |
| Finance costs   |  |  | (9,433)                  |
| Loss before tax   |  |  | (16,879)                 |
| Income tax expense  |  |  | (159)                    |
| Loss for the year attributable to owners of the Company                             |  |  | (17,038)                 |

Information provided to management is measured in a manner consistent with that of the consolidated financial statements.

### Geographical information

#### *Revenue from external customers*

|           | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|-----------|-------------------------|-------------------------|
| Hong Kong | 122,796                 | 260,950                 |
| Japan     | 56                      | –                       |
|           | <b>122,852</b>          | <b>260,950</b>          |

The revenue information above is based on the locations of the customers.

## Information about major customers

For the year ended 31 March 2021, there were 2 (2020: 3) customers from the construction and engineering services operating segment, which individually contributed over 10% of the Group's total revenue. During the years ended 31 March 2021 and 2020, the revenue from each of these customers was as follows:

|            | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|------------|--------------------------------|-------------------------|
| Customer A | <b>19,040</b>                  | N/A                     |
| Customer B | <b>15,330</b>                  | N/A                     |
| Customer C | N/A                            | 72,253                  |
| Customer D | N/A                            | 54,018                  |
| Customer E | N/A                            | 36,079                  |
|            | <b>=====</b>                   | <b>=====</b>            |

## 4. REVENUE

An analysis of revenue is as follows:

|   | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| <i>Revenue from contracts with customers:</i>                   |                                |                         |
| Provision of construction and engineering services              |                                |                         |
| – Building construction services                                | <b>10,493</b>                  | 8,483                   |
| – Alteration, addition, fitting-out works and building services | <b>95,331</b>                  | 240,097                 |
| – Repair and restoration of historic buildings                  | <b>16,384</b>                  | 12,148                  |
|   | <b>122,208</b>                 | 260,728                 |
| <i>Revenue from other sources:</i>                              |                                |                         |
| Property development and investment                             |                                |                         |
| – Gross rental income from investment property operating leases | <b>644</b>                     | 222                     |
|   | <b>122,852</b>                 | 260,950                 |
|   | <b>=====</b>                   | <b>=====</b>            |

## 5. OTHER INCOME AND GAINS, NET

An analysis of the Group's other income and gains, net is as follows:

|  | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Other income</b>  |                         |                         |
| Bank interest income   | 39                      | 139                     |
| Discount at initial recognition on interest-free loans<br>from shareholders ( <i>Note (i)</i> )        | –                       | 1,497                   |
| Discount at initial recognition on interest-free loans<br>from former shareholders ( <i>Note (i)</i> ) | 8,315                   | –                       |
| Government grants ( <i>Note (ii)</i> )   | 4,416                   | 563                     |
| Others   | 105                     | 133                     |
|  | <u>12,875</u>           | <u>2,332</u>            |
| <b>Gains, net</b>  |                         |                         |
| Gains on disposal of items of property, plant and equipment, net                                       | 516                     | 139                     |
| Gain on remeasurement of a previously held interest  | 1,632                   | –                       |
|  | <u>2,148</u>            | <u>139</u>              |
|  | <u><u>15,023</u></u>    | <u><u>2,471</u></u>     |

*Notes:*

- (i) During the year ended 31 March 2021, income of approximately HK\$8,315,000 (2020: HK\$1,497,000) represented the discount at initial recognition of interest-free loans from former shareholders (2020: shareholders) of HK\$80,000,000 (2020: HK\$14,402,000) using the prevailing market interest rate of 5.5% (2020: 5.5%).
- (ii) Government grants recognised were related to anti-epidemic fund and on-the-job training allowance for the construction industry. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants.

## 6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

|  | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Construction cost recognised in cost of sales <sup>#</sup>   | 139,646                 | 238,572                 |
| Direct operating expenses (including repair and maintenance)<br>arising from rental-earning investment properties <sup>#</sup> | 129                     | 106                     |
| Auditor's remuneration   |                         |                         |
| Audit services   | 1,510                   | 1,635                   |
| Non-audit services   | 200                     | 165                     |
| Depreciation of property, plant and equipment  | 633                     | 1,173                   |
| Depreciation of right-of-use assets  | 3,593                   | 3,675                   |
| Employee benefit expense (including directors' and chief executive's<br>emoluments)  |                         |                         |
| Wages and salaries   | 45,313                  | 56,765                  |
| Discretionary bonuses  | 1,344                   | 2,030                   |
| Pension scheme contributions (defined contribution scheme)   | 1,639                   | 2,160                   |
|  | <u>48,296</u>           | <u>60,955</u>           |
| Lease payments not included in the measurement of lease liabilities  | 380                     | 633                     |
| Impairment of goodwill <sup>^</sup>  | 1,911                   | –                       |
| Impairment of trade receivables <sup>^</sup>   | 352                     | –                       |
| Impairment of contract assets <sup>^</sup>   | 2,256                   | –                       |
| Impairment of other receivables <sup>^</sup>   | 129                     | –                       |
| Foreign exchange differences, net <sup>^</sup>   | 1,619                   | 78                      |
|  | <u><u>139,646</u></u>   | <u><u>238,572</u></u>   |

<sup>^</sup> The amounts are included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

<sup>#</sup> The amounts are included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

## 7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 March 2021.

Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 March 2020.

|   | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Current tax – Hong Kong                       |                         |                         |
| Charge for the year                           | –                       | 170                     |
| Underprovision/(overprovision) in prior years | (14)                    | 194                     |
|   | <u>(14)</u>             | <u>364</u>              |
| Deferred                                      | <u>371</u>              | <u>(205)</u>            |
| Income tax expense                            | <u><u>357</u></u>       | <u><u>159</u></u>       |

## 8. DIVIDENDS

The directors of the Company did not recommend the payment of a dividend for the year ended 31 March 2021 (2020: Nil).

## 9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to the owners of the Company, and the weighted average number of ordinary shares of 898,192,000 (2020: 800,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2021 and 2020.

The calculations of the basic and diluted loss per share are based on:

|  | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Loss</b>  |                         |                         |
| Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation             | <u><u>(52,810)</u></u>  | <u><u>(17,038)</u></u>  |
|  | <b>Number of shares</b> |                         |
|  | 2021                    | 2020                    |
|  | <i>'000</i>             | <i>'000</i>             |
| <b>Shares</b>  |                         |                         |
| Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation | <u><u>898,192</u></u>   | <u><u>800,000</u></u>   |

**10. INVESTMENT PROPERTIES**

|   | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| At beginning of the year                                | 22,330                  | 22,610                  |
| Acquisition of a subsidiary                             | 13,602                  | –                       |
| Fair value gains/(losses) on investment properties, net | 74                      | (280)                   |
| Exchange realignment                                    | (411)                   | –                       |
|   | <hr/>                   | <hr/>                   |
| Carrying amount at 31 March                             | <b>35,595</b>           | 22,330                  |
|   | <hr/> <hr/>             | <hr/> <hr/>             |

**11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

|  | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade receivables                            | 22,965                  | 19,392                  |
| Impairment on trade receivables              | (352)                   | –                       |
|  | <hr/>                   | <hr/>                   |
|  | 22,613                  | 19,392                  |
| Prepayments, deposits and other receivables: |                         |                         |
| Prepayments                                  | 3,259                   | 1,634                   |
| Deposits                                     | 1,712                   | 1,751                   |
| Other receivables                            | 5,009                   | 2,805                   |
| Impairment on other receivables              | (129)                   | –                       |
|  | <hr/>                   | <hr/>                   |
|  | 9,851                   | 6,190                   |
|  | <hr/>                   | <hr/>                   |
| Total  | 32,464                  | 25,582                  |
|  | <hr/>                   | <hr/>                   |
| Portion classified as current assets         | (31,649)                | (25,502)                |
|  | <hr/>                   | <hr/>                   |
| Non-current portion                          | 815                     | 80                      |
|  | <hr/> <hr/>             | <hr/> <hr/>             |

Notes:

Trade receivables represented receivables for contract works. The payment terms of contract works receivables are stipulated in the relevant contracts and payments are normally due within 30 days from the date of issuance of the payment certificate.

An ageing analysis of trade receivables as at the end of the reporting period, based on the payment certificate date and net of loss allowance, is as follows:

|                   | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Less than 30 days | <b>19,336</b>                  | 11,415                  |
| 31 to 60 days     | <b>15</b>                      | 4,109                   |
| 61 to 90 days     | <b>8</b>                       | 80                      |
| Over 90 days      | <b>3,254</b>                   | 3,788                   |
|                   | <b>22,613</b>                  | 19,392                  |

## 12. CONTRACT ASSETS/(LIABILITIES)

|   | <b>31 March</b><br><b>2021</b><br><i>HK\$'000</i> | 31 March<br>2020<br><i>HK\$'000</i> | 1 April<br>2019<br><i>HK\$'000</i> |
|---|---|-------------------------------------|------------------------------------|
| Unbilled revenue relating to construction contracts     | <b>203,117</b>                                    | 228,873                             | 242,257                            |
| Retention receivables of construction contracts         | <b>28,491</b>                                     | 33,193                              | 43,329                             |
|   | <b>231,608</b>                                    | 262,066                             | 285,586                            |
| Impairment  | <b>(2,256)</b>                                    | –                                   | –                                  |
|   | <b>229,352</b>                                    | 262,066                             | 285,586                            |
| Contract liabilities relating to construction contracts | <b>(16,481)</b>                                   | (5,360)                             | (7,867)                            |

## 13. TRADE AND OTHER PAYABLES AND ACCRUALS

|                             | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|-----------------------------|--------------------------------|-------------------------|
| Trade payables              | <b>72,158</b>                  | 80,658                  |
| Bills payables              | –                              | 51,413                  |
|                             | <b>72,158</b>                  | 132,071                 |
| Other payables and accruals | <b>7,937</b>                   | 8,950                   |
|                             | <b>80,095</b>                  | 141,021                 |

*Notes:*

Credit terms granted to the Group by its suppliers and subcontractors vary from contract to contract. The Group's suppliers and subcontractors, on average, grant the Group a credit period of mostly 30 days to 60 days upon the issuance of an invoice.

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

|                   | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Less than 30 days | <b>35,063</b>                  | 34,311                  |
| 31 to 60 days     | <b>1,977</b>                   | 6,505                   |
| 61 to 90 days     | <b>2,228</b>                   | 5,321                   |
| Over 90 days      | <b>32,890</b>                  | 34,521                  |
|                   | <u><b>72,158</b></u>           | <u>80,658</u>           |

**14. BANK AND OTHER BORROWINGS AND LOANS FROM SHAREHOLDERS**

|                                      | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|--------------------------------------|--------------------------------|-------------------------|
| Bank borrowings                      | <b>34,599</b>                  | 80,813                  |
| Bank overdrafts                      | <u>–</u>                       | <u>21,674</u>           |
| Total bank borrowings and overdrafts | <b>34,599</b>                  | 102,487                 |
| Other borrowings                     | <u><b>117,193</b></u>          | <u>–</u>                |
|                                      | <u><b>151,792</b></u>          | <u>102,487</u>          |
| Current portion                      | <u><b>(78,265)</b></u>         | <u>(102,487)</u>        |
| Non-current portion                  | <u><b>73,527</b></u>           | <u>–</u>                |
| Loans from shareholders              |                                |                         |
| Non-current portion                  | <u><b>57,883</b></u>           | <u>13,337</u>           |



## 15. LEASES

### The Group as a lessor

The Group leases its investment properties under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK\$644,000 (2020: HK\$222,000), details of which are included in note 4 to this announcement.

At 31 March 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

|   | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Within one year                         | 797                     | 301                     |
| After one year but within two years     | 586                     | 211                     |
| After two years but within three years  | 586                     | –                       |
| After three years but within four years | 439                     | –                       |
|   | <u>2,408</u>            | <u>512</u>              |

## 16. CONTINGENT LIABILITIES

At 31 March 2021 and 2020, the Group's contingent liabilities were as follows:

|                              | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|------------------------------|-------------------------|-------------------------|
| Surety bonds ( <i>Note</i> ) | <u>4,747</u>            | <u>29,249</u>           |

*Note:* As at 31 March 2021, the Group provided guarantees of surety bonds in respect of 3 (2020: 6) construction contracts of the Group in its ordinary course of business. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

## 17. EVENT AFTER THE REPORTING PERIOD

On 23 April 2021 and 11 May 2021, a wholly-owned subsidiary of the Company, Milestone Builder Engineering Limited (“Milestone Builder”), entered into three provisional sale and purchase agreements with three independent third parties (the “Purchasers”), pursuant to which Milestone Builder has agreed to dispose of and the Purchasers have agreed to purchase two industrial units and one carpark space (collectively the “Properties”) located in the eastern part of Tsuen Wan in New Territories, Hong Kong, at a consideration of HK\$7.3 million, HK\$13.4 million and HK\$2.6 million, respectively. Formal agreements for sale and purchase of the Properties between Milestone Builder and the Purchasers are expected to be completed on 30 June 2021 and 24 July 2021, respectively. The carrying value of the Properties as at 31 March 2021 was approximately HK\$22.8 million, and the gain on disposal before tax is expected to be approximately HK\$0.5 million.

## 18. COMPARATIVE AMOUNT

Certain comparative amounts have been reclassified and re-presented to conform to the current year's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

The Group is an established contractor with job references in both private and public sectors in (i) building construction services; (ii) alteration, addition, fitting-out works and building services; (iii) repair and restoration of historic buildings; and (iv) property development and investment.

### Business Review

The following table sets out a breakdown of our total revenue during the year ended 31 March 2021 (the “Year”) and the comparative year according to our four major types of services:

|  | Year ended 31 March |              |                 |          |
|--|---------------------|--------------|-----------------|----------|
|  | 2021                |              | 2020            |          |
|  | <i>HK\$'000</i>     | <i>%</i>     | <i>HK\$'000</i> | <i>%</i> |
| Building construction services                                   | <b>10,493</b>       | <b>8.5</b>   | 8,483           | 3.3      |
| Alteration, addition, fitting-out works<br>and building services | <b>95,331</b>       | <b>77.6</b>  | 240,097         | 92.0     |
| Repair and restoration of historic<br>buildings                  | <b>16,384</b>       | <b>13.4</b>  | 12,148          | 4.6      |
| Property development and investment                              | <b>644</b>          | <b>0.5</b>   | 222             | 0.1      |
| Total  | <b>122,852</b>      | <b>100.0</b> | 260,950         | 100.0    |

As at 31 March 2021, there were 2, 32 and 3 on-going projects in progress, pertaining to (i) building construction services, (ii) alteration, addition, fitting-out works and building services, and (iii) repair and restoration of historic buildings, respectively.

As at 31 March 2021, the aggregate amount of revenue expected to be recognised after 31 March 2021 of our on-going projects was approximately HK\$133.5 million.

The following table sets out our completed contracts during the year ended 31 March 2021 with contract sum of HK\$3 million or above:

| <b>Particulars of project</b>   | <b>Main category of works</b>                                 | <b>Expected project period<sup>(Note 1)</sup></b> |
|---|---|---|
| General Air Quality Monitoring Station at Aberdeen Tennis & Squash Centre                 | Alteration, addition, fitting-out works and building services | May 2019 to September 2019                        |
| Fitting-out works for a market in Tseung Kwan O   | Alteration, addition, fitting-out works and building services | March 2018 to July 2018                           |
| Maintenance and repairing works for a Buddhist temple in Tsuen Wan                        | Alteration, addition, fitting-out works and building services | May 2019 to November 2019                         |
| Alteration and addition works for a wholesale conversion in Kwai Chung                    | Alteration, addition, fitting-out works and building services | June 2018 to July 2019                            |
| Alteration and addition works for a school in Shatin                                      | Alteration, addition, fitting-out works and building services | June 2019 to October 2019                         |
| Alteration and addition works for a logistic centre in Yuen Long                          | Alteration, addition, fitting-out works and building services | March 2020 to September 2020                      |
| Plumbing and drainage installation work for a residential development project in Homantin | Alteration, addition, fitting-out works and building services | September 2018 to March 2020                      |
| Plumbing and drainage installation work for a private club in Discovery Bay               | Alteration, addition, fitting-out works and building services | April 2019 to April 2020                          |
| Maintenance and repairing works for a Buddhist temple in Tsuen Wan                        | Alteration, addition, fitting-out works and building services | August 2020 to November 2020                      |
| Refurbishment of public toilet in Tai Po  | Alteration, addition, fitting-out works and building services | July 2020 to January 2021                         |
| Repair and conservation works for a primary school in Happy Valley                        | Repair and restoration of historic buildings                  | May 2019 to November 2019                         |
| Renovation works for a church in Central  | Repair and restoration of historic buildings                  | August 2020 to December 2020                      |

*Note:*

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

The following table sets out brief details of our projects in progress as at 31 March 2021 with contract sum of more than HK\$3 million:

| <b>Particulars of project</b>   | <b>Main category of works</b>                                 | <b>Expected project period</b> <sup>(Note 1)</sup> |
|---|---|--|
| Residential development in Ting Kau   | Building construction services                                | September 2018 to December 2019                    |
| Lei Yue Mun Waterfront enhancement project  | Building construction services                                | December 2020 to April 2022                        |
| Alteration and addition works for a residential building in Yuen Long                                 | Alteration, addition, fitting-out works and building services | August 2018 to August 2019                         |
| Alteration and addition and renovation works for a project in Fanling                                 | Alteration, addition, fitting-out works and building services | November 2018 to August 2020                       |
| Refurbishment of public toilet to both the internal and external at Aldrich Bay                       | Alteration, addition, fitting-out works and building services | November 2019 to May 2020                          |
| Alteration and addition works for a school in Tai Tam   | Alteration, addition, fitting-out works and building services | March 2020 to July 2021                            |
| Traffic improvement work for cemetery in Chai Wan   | Alteration, addition, fitting-out works and building services | August 2020 to February 2021                       |
| Electrical, plumbing and drainage installation work for an industrial development project in Aberdeen | Alteration, addition, fitting-out works and building services | August 2018 to January 2020                        |
| Electrical and ACMV installation system in Kai Tak  | Alteration, addition, fitting-out works and building services | October 2018 to November 2020                      |
| Plumbing and drainage installation work for an university in Clear Water Bay                          | Alteration, addition, fitting-out works and building services | October 2019 to May 2021                           |
| Refurbishment of Central Pier Waterfront sitting-out area   | Alteration, addition, fitting-out works and building services | November 2020 to October 2021                      |
| Conversion works for a school in Shek Kip Mei   | Alteration, addition, fitting-out works and building services | December 2020 to May 2021                          |

| <b>Particulars of project</b>                                     | <b>Main category of works</b>                                 | <b>Expected project period<sup>(Note 1)</sup></b> |
|---|---|---|
| Modifications of atrium roof for an university in Clear Water Bay | Alteration, addition, fitting-out works and building services | April 2021 to June 2022                           |
| Main contract works for setting up cold store in Yuen Long        | Alteration, addition, fitting-out works and building services | November 2020 to April 2021                       |
| Restoration works for a Buddhist temple in Happy Valley           | Repair and restoration of historic buildings                  | August 2020 to August 2021                        |
| Demolition and conservation works at Clock Tower in Homantin      | Repair and restoration of historic buildings                  | January 2020 to May 2021                          |

*Note:*

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

## **Major Licenses, Qualifications and Certifications**

As at 31 March 2021, our Group has obtained the following major licenses, qualifications and certifications in Hong Kong:

| <b>Relevant authority/organisation</b> | <b>Relevant list/category</b>  | <b>License</b>                   | <b>Holder</b>   | <b>Date of first grant/registration</b> | <b>Expiry date for existing license</b> | <b>Authorised contract value</b>         |
|--|--|----------------------------------|---|---|---|--|
| WBDB <sup>1</sup>                      | Approved Contractors for Public Works – Buildings Category   | Group A (probation) <sup>2</sup> | 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 <sup>3</sup> | –                                | Milestone Builder   | 4 June 2013                             | Not Applicable                          | Not Applicable                           |

| <b>Relevant authority/ organisation</b> | <b>Relevant list/category</b>  | <b>License</b>                                   | <b>Holder</b>   | <b>Date of first grant/ registration</b> | <b>Expiry date for existing license</b> | <b>Authorised contract value</b>                        |
|---|--|--|---|--|---|---|
| WBDB                                    | Approved Suppliers of Materials and Specialist Contractors for Public Works – Repair and Restoration of Historic Buildings Category <sup>3</sup> | –  | Milestone Specialty Engineering Limited                             | 7 September 2017                         | Not Applicable                          | Not Applicable  |
| WBDB                                    | Approved Suppliers of Materials and Specialist Contractors for Public Works – Electrical Installation Category                                   | Group II of Electrical Installation (probation)  | Speedy Engineering & Trading Company Limited (“Speedy Engineering”) | 21 June 2016                             | Not Applicable                          | Contracts/ sub-contracts of value up to HK\$5.7 million |
| WBDB                                    | Approved Suppliers of Materials and Specialist Contractors for Public Works – Plumbing Installation Category                                     | Group I of Plumbing Installation                 | Speedy Engineering  | 25 May 2017                              | Not Applicable                          | Contracts/ sub-contracts of value up to HK\$2.3 million |
| Buildings Department                    | Certificate of Registration of General Building Contractor <sup>4</sup>  | –  | Milestone Builder   | 29 October 2008                          | 14 October 2023                         | Not Applicable  |
| Buildings Department                    | Certificate of Registration of Registered Minor Works Contractor <sup>5,6</sup>  | Type A–D, F, G (Class I, II, III) <sup>7,8</sup> | Milestone Builder   | 2 September 2011                         | 2 September 2023                        | Not Applicable  |
| Buildings Department                    | Certificate of Registration of Specialist Contractor <sup>9</sup>  | Site Formation Works <sup>10</sup>               | Milestone Builder   | 27 September 2006                        | 10 September 2024                       | Not Applicable  |

| Relevant authority/<br>organisation | Relevant list/category   | License                                      | Holder                | Date of first grant/<br>registration | Expiry date for<br>existing license | Authorised<br>contract value |
|-------------------------------------|--|--|-----------------------|--------------------------------------|-------------------------------------|------------------------------|
| Buildings<br>Department             | Certificate of<br>Registration of<br>Registered Minor<br>Works Contractor        | Type A, B, D,<br>E, F, G (Class II<br>& III) | Speedy<br>Engineering | 7 March 2013                         | 7 March 2022                        | Not Applicable               |
| Buildings<br>Department             | Certificate of<br>Registration of<br>General Building<br>Contractor <sup>4</sup> | –  | Speedy<br>Engineering | 28 February<br>2019                  | 30 January 2022                     | Not Applicable               |

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

## **Development of the Group**

The contraction of the Hong Kong economy in the Year was mainly attributable to the weak performance in both domestic and external demand. The outbreak of COVID-19 in January 2020 further casted a shadow over the economic sentiment and social life of the city.

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

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

## **Financial Review**

### ***Revenue***

Revenue for the year ended 31 March 2021 was approximately HK\$122.9 million, representing a decrease of 52.9% from approximately HK\$261.0 million for the year ended 31 March 2020. The decline in our revenue was mainly attributable to the decrease in awards of projects in both public and private sectors, due to the negative effect arose from social events, political disputes and the overall economic depression in Hong Kong.

### ***Gross (Loss)/Profit***

The Group’s gross loss for the year ended 31 March 2021 was approximately HK\$16.9 million (31 March 2020: gross profit of approximately HK\$22.3 million). The loss was due to the combined effect of (i) the on-going projects during the Year which had lower gross profit margin than that of the ongoing projects during the year ended 31 March 2020 for reason of the increasingly competitive environment of the construction industry; and (ii) cost overrun resulting from unexpected prolonged completion of certain projects as there were additional costs incurred to catch up with the progress of these certain on-going projects and to maintain the quality of construction works.

### ***Administrative Expenses***

The Group’s administrative expenses increased from approximately HK\$31.8 million during the year ended 31 March 2020 to approximately HK\$32.6 million during the year ended 31 March 2021.



### ***Fair Value Loss on a Financial Asset at Fair Value Through Profit or Loss***

Reference is made to the announcement of the Company dated 22 May 2020, Milestone Builder, a wholly-owned subsidiary of the Company, took out the HSBC Life Insurance and placed an initial single premium of US\$1,494,337 (equivalent to approximately HK\$11,655,912) thereunder with HSBC Life (International) Ltd. The HSBC Life Insurance was classified as a financial asset at fair value through profit or loss in the consolidated financial statements for the year ended 31 March 2021 and the fair value loss for the year was approximately HK\$2.1 million.

### ***Loss before Tax and Loss for the Year Attributable to Owners of the Company***

During the year ended 31 March 2021, the Group reported loss before tax of approximately HK\$52.5 million (31 March 2020: approximately HK\$16.9 million).

Loss for the year attributable to owners of the Company was approximately HK\$52.8 million (31 March 2020: approximately HK\$17.0 million).

## **PRINCIPAL RISKS AND UNCERTAINTIES**

### **– Fluctuating cash flows pattern**

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

### **– Accuracy on the estimated time and costs**

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

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

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

– **Continuity of order book for new projects**

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

– **Non-standardisation of profit margin**

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

## – Reduction of construction works in Hong Kong

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

## DEBTS AND CHARGES ON ASSETS

As at 31 March 2021, the total interest-bearing borrowings of the Group, including bank and other borrowings, loan from a shareholder and lease liabilities (31 March 2020: bank loans and lease liabilities), was approximately HK\$98.9 million (31 March 2020: approximately HK\$108.1 million). Borrowings were denominated mainly in Hong Kong dollars and interest rates of bank and other borrowings were charged at 1.5%–6% per annum. The Group currently does not have an interest rate hedging policy while the Group will monitor the interest rate risks continuously.

As at 31 March 2021, no assets of the Group were pledged to secure the Group's bank and other borrowings. As at 31 March 2020, the Group's bank and other borrowings were secured by the following assets of the Group: (i) pledged deposits of approximately HK\$26.2 million; (ii) investment properties amounting to approximately HK\$22.3 million; and (iii) trade receivables under factoring arrangement amounting to approximately HK\$0.8 million.

Save as disclosed elsewhere in this announcement, we did not have, at the closure of business on 31 March 2021, any loan capital issued nor any outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, lease commitments, guarantees or other material contingent liabilities.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 March 2021, the Group had cash and bank balances of approximately HK\$17.2 million (31 March 2020: approximately HK\$23.3 million). The Group's gearing ratio and current ratio are as follows:

|               | As at 31 March |            |
|---------------|----------------|------------|
|               | 2021           | 2020       |
| Current ratio | 1.6            | 1.4        |
| Gearing ratio | <u>68%</u>     | <u>44%</u> |

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

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

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

## USE OF NET PROCEEDS FROM THE LISTING

As disclosed in the Company’s prospectus dated 22 March 2017 (the “Prospectus”) and the Company’s announcement dated 9 February 2018, the Group’s net proceeds from the share offer (the “Net Proceeds”), after deducting related underwriting fees and listing expenses for the listing of the shares of the Company on the Main Board of the Stock Exchange on 7 April 2017 (the “Listing”), of approximately HK\$75.9 million are intended to use. As at 31 March 2021, the Company had utilised approximately HK\$75.5 million, representing approximately 99.5% of the Net Proceeds. The unutilised Net Proceeds amount to approximately HK\$0.4 million, representing approximately 0.5% of the Net Proceeds. As at 31 March 2021 and the date of this announcement, there has not been any change to the intended use of the Net Proceeds of the allocated amount as disclosed in the announcement of the Company dated 9 February 2018. The utilisation of the net proceeds as at 31 March 2021, are set out as follows:

| Uses of Net Proceeds  | Original     | Revised          | Utilisation  | Remaining     | Expected       |
|---|--------------|------------------|--------------|---------------|----------------|
|   | allocation   | allocation as    | as at        | balance after | timeline of    |
|   | 9 February   | disclosed in the | 31 March     | revised       | fully          |
|   | 2018         | announcement     | 2021         | allocation    | utilisation of |
|   | HK\$ million | dated            | HK\$ million | HK\$ million  | balance        |
| Financing the capital input and upfront costs to upcoming projects  | 36.0         | 36.0             | 36.0         | –             | –              |
| Purchase of surety bonds  | 13.0         | –                | –            | –             | –              |
| Increasing the employed capital of the Group                        | 11.4         | 11.4             | 11.4         | –             | –              |
| Repayment of current bank borrowings of the Group                   | 4.3          | 4.3              | 4.3          | –             | –              |
| Employing additional staff  | 3.3          | 3.3              | 3.3          | –             | –              |
| Investing in building information modelling software                | 0.5          | 0.5              | 0.1          | 0.4           | End of 2021    |
| General working capital of the Group                                | 7.4          | 7.4              | 7.4          | –             | –              |
| Financing the Property Development and Investment Business in Japan | –            | 13.0             | 13.0         | –             | –              |
|   | <u>75.9</u>  | <u>75.9</u>      | <u>75.5</u>  | <u>0.4</u>    |                |

## **PROSPECTS**

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

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

## **FOREIGN EXCHANGE EXPOSURE**

As at 31 March 2021 and for the year ended 31 March 2021, most of the income and expenditures of the Group are denominated in Hong Kong dollars, being the functional currency of the Group, and hence, the Group does not have any material foreign exchange exposure. The Group has not implemented nor entered into any types of instruments or arrangements to hedge against currency exchange fluctuations.

## **PROCEEDS FROM THE PLACING OF SHARES**

Reference is made to the announcements dated 7 August 2020, 13 August 2020 and 20 August 2020, a total of 160,000,000 ordinary shares of the Company (the “Placing Share(s)”) were allotted and issued at a placing price of HK\$0.125 per Placing Share on 20 August 2020 (the “Placing”). The gross proceeds from the Placing amounted to HK\$20.0 million, and the net proceeds arising from the Placing amounted to approximately HK\$19.2 million. The Company applied the entire net proceeds from the Placing for repayment of bank loans of the Group.

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

Reference is made to the announcements of the Company dated 26 February 2021 and 5 March 2021, respectively, whereas Milestone Builder Investment Limited (the “Purchaser”), a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with a joint venture partner of the Group on 26 February 2021, for the acquisition (the “Acquisition”) of the remaining 30% equity interests of Popsible Development Limited (“PDL”) plus the assignment of a sale loan of HK\$16.3 million, at a consideration of HK\$17.0 million. PDL and its subsidiaries (the “PDL Group”) are principally engaged in property development in Japan, and owns a hotel property and a land parcel in Osaka, Japan. Upon the completion of the Acquisition, PDL Group will become wholly-owned subsidiaries of the Company and its financial results will be consolidated into the financial results of the Group thereafter.

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

## **CAPITAL COMMITMENTS**

As at 31 March 2021, the Group had no material capital commitments.

## **CONTINGENT LIABILITIES**

Save as disclosed in Note 16 to this announcement, the Group had no other contingent liabilities as at 31 March 2021.

## **EVENT AFTER THE REPORTING PERIOD**

On 23 April 2021 and 11 May 2021, a wholly-owned subsidiary of the Company, Milestone Builder, entered into three provisional sale and purchase agreements with three independent third parties of the Group (the “Purchasers”) respectively, pursuant to which Milestone Builder has agreed to dispose of and the Purchasers have agreed to purchase two industrial units and one carpark space (collectively the “Properties”) located in the eastern part of Tsuen Wan in New Territories, Hong Kong, at a consideration of HK\$7.3 million, HK\$13.4 million and HK\$2.6 million respectively. Formal agreements for sale and purchase of the Properties between Milestone Builder and the Purchasers are expected to be completed on 30 June 2021 and 24 July 2021, respectively.

The carrying value of the Properties as at 31 March 2021 was approximately HK\$22.8 million, and the gain on disposal before tax is expected to be approximately HK\$0.5 million. The considerations were arrived at after arm's length negotiations between Milestone Builder and the Purchasers on normal commercial terms with reference to the prevailing market value of the other properties in the vicinity.

Taking into account of the current financial position and business operation of the Group, the Directors believe that the disposal represented a good opportunity for the Company to realise the value of the Property at a reasonable price and the proceeds from the disposal, which improve the financial position and increase the general working capital of the Group.

Save as aforesaid, there is no material subsequent event undertaken by the Company or by the Group after 31 March 2021 and up to the date of this announcement.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 March 2021, the Group had 98 employees, including 70 staff and 28 workers (31 March 2020: 127 employees, including 86 staff and 41 workers). The decrease in headcount is mainly due to the completion of certain projects. The remuneration policy and package of the Group's employees were periodically reviewed. Apart from Mandatory Provident Fund, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance. The staff cost incurred by the Group during the year ended 31 March 2021 was approximately HK\$48.3 million (31 March 2020: approximately HK\$61.0 million).

## **SHARE OPTION SCHEME**

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

No share options have been granted, exercised or cancelled under the Scheme since its adoption date and up to the date of this announcement and the total number of shares available for grant under the Scheme was 80,000,000 shares of the Company, representing 10% of the issued share capital of the Company as at the adoption date of the Scheme.

## **OTHER INFORMATION**

### **Dividends**

The Board does not recommend the payment of a dividend for the year ended 31 March 2021 (31 March 2020: Nil).



## **Closure of Register of Members**

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Wednesday, 29 September 2021 (the “2021 AGM”), the register of members of the Company will be closed from Friday, 24 September 2021 to Wednesday, 29 September 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2021 AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, Hong Kong, for registration not later than 4:00 p.m. on Thursday, 23 September 2021.

## **Compliance with the Corporate Governance Code**

Throughout the year ended 31 March 2021, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) except for the deviation from code provision A.2.1 of the CG Code.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Leung Kam Fai (“Mr. Leung”), who had been the chairman (“Chairman”) of the Board and also performed the duty of chief executive officer (“CEO”) of the Group during the period from the date of Listing to 27 December 2020, had been responsible for the financial and operational aspects of the Group and the formulation of business development strategies of the Group. The Board believes that vesting the roles of both Chairman and chief executive officer in Mr. Leung has the benefit of ensuring consistent and continuous planning and execution of the Company’s strategies.

With effect from 28 December 2020, Ms. Hou Lingling has been appointed as the chairperson of the Board and Mr. Ma Gang has been appointed as the CEO to take over the duties of Mr. Leung respectively, the Company has complied with the code provision A.2.1 of the CG Code.

## **Compliance with the Model Code for Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. All the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2021 in response to the specific enquiry made by the Company.

The Board has established written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the securities of the Company as required under the CG Code.

No incident of non-compliance of such guidelines by the relevant employees was noted by the Company.

## **Purchase, Sale or Redemption of Listed Securities**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2021.

## **Audit Committee**

The Company has established an audit committee (the "Audit Committee") which currently consists of three independent non-executive Directors with written terms of reference which deals clearly with its authority and duties.

The Audit Committee has discussed and reviewed with the Group's management, the accounting principles and policies adopted by the Group, the financial information of the Group and the annual results of the Group for the year ended 31 March 2021.

## **Scope of Work of Ernst & Young**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by Ernst & Young 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 Ernst & Young on the preliminary announcement.

## **Publication of Annual Report**

The annual report for the year ended 31 March 2021 containing all relevant information required by the Listing Rules will be despatched to shareholders of the Company and published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.milestone.hk](http://www.milestone.hk)) in due course.

By Order of the Board  
**Milestone Builder Holdings Limited**  
**Hou Lingling**  
*Chairperson and Executive Director*

Hong Kong, 29 June 2021

*As at the date of this announcement, the Board comprises Ms. Hou Lingling and Mr. Ma Gang as executive Directors and Mr. Ho Siu Keung, Mr. Chu Kin Ming and Mr. Ho Wing Sum as independent non-executive Directors.*