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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 2022**

RESULTS HIGHLIGHTS

- Revenue for the year ended 31 March 2022 was approximately HK\$120.5 million, representing a decrease of 2.0% from approximately HK\$122.9 million for the year ended 31 March 2021.
- Gross profit for the year ended 31 March 2022 was approximately HK\$2.4 million (31 March 2021: gross loss of approximately HK\$16.9 million).
- Administrative expenses for the year ended 31 March 2022 were approximately HK\$33.2 million (31 March 2021: approximately HK\$32.6 million).
- Loss for the year attributable to owners of the Company was approximately HK\$60.5 million (31 March 2021: approximately HK\$52.8 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 2022 together with comparative figures for the previous financial year ended 31 March 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
REVENUE	4	120,521	122,852
Cost of sales		<u>(118,086)</u>	<u>(139,775)</u>
Gross profit/(loss)		2,435	(16,923)
Other income and gains, net	5	25,435	15,023
Administrative expenses		(33,205)	(32,584)
Fair value loss on a financial asset at fair value through profit or loss		–	(2,085)
Fair value gains on investment properties	10	142	74
Other expenses		(38,658)	(6,267)
Finance costs		<u>(10,731)</u>	<u>(9,691)</u>
LOSS BEFORE TAX	6	(54,582)	(52,453)
Income tax expense	7	<u>(5,913)</u>	<u>(357)</u>
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(60,495)</u>	<u>(52,810)</u>

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
OTHER COMPREHENSIVE INCOME			
<i>Item that may be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		<u>124</u>	<u>521</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>124</u>	<u>521</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u><u>(60,371)</u></u>	<u><u>(52,289)</u></u>
		<i>HK cents per share</i>	<i>HK cents per share</i>
Loss per share attributable to owners of the Company:			
Basic	9	<u><u>(6.30)</u></u>	<u><u>(5.88)</u></u>
Diluted	9	<u><u>(6.30)</u></u>	<u><u>(5.88)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS			
Investment properties	10	11,788	35,595
Property, plant and equipment		46,082	53,555
Right-of-use assets		1,551	4,665
Financial asset at fair value through profit or loss		–	9,571
Goodwill		–	15,577
Deferred tax assets		–	5,913
Long-term deposits	11	–	815
		<hr/>	<hr/>
Total non-current assets		59,421	125,691
CURRENT ASSETS			
Amounts due from joint ventures		702	419
Trade and other receivables, deposits and prepayments	11	21,712	31,649
Contract assets	12	220,793	229,352
Tax recoverable		726	775
Cash and bank balances		10,174	17,225
		<hr/>	<hr/>
Total current assets		254,107	279,420
CURRENT LIABILITIES			
Amount due to a joint venture		–	280
Contract liabilities	12	13,868	16,481
Trade and other payables and accruals	13	68,209	80,095
Bank and other borrowings	14	11,231	78,265
Lease liabilities		1,925	3,119
		<hr/>	<hr/>
Total current liabilities		95,233	178,240
NET CURRENT ASSETS		158,874	101,180
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		218,295	226,871
		<hr/>	<hr/>

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Bank and other borrowings	14	87,201	73,527
Loans from a shareholder	14	98,210	57,883
Lease liabilities		–	2,084
Deferred tax liabilities		1,373	1,495
		<hr/>	<hr/>
Total non-current liabilities		186,784	134,989
		<hr/>	<hr/>
Net assets		31,511	91,882
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital		96,000	96,000
Reserves		(64,489)	(4,118)
		<hr/>	<hr/>
Total equity		31,511	91,882
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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 following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Prime Rate as at 31 March 2022. The Group expects that Prime rate will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s Prime Rate-based borrowings.

- (b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. In April 2021, the HKICPA issued another amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* to extend the availability of the practical expedient for any reduction in lease payments that affects only payments originally due on or before 30 June 2022 (the “2021 Amendment”). The 2021 Amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the 2021 Amendment on 1 April 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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 this announcement.

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 on investment properties.

	Construction and engineering services <i>HK\$’000</i>	Property development and investment <i>HK\$’000</i>	Total <i>HK\$’000</i>
Year ended 31 March 2022			
Segment revenue (<i>note 4</i>)	<u>119,442</u>	<u>1,079</u>	<u>120,521</u>
Segmental LBITDA (excluding fair value gains on investment properties)	(39,660)	(5,019)	(44,679)
Depreciation	(2,679)	(1,352)	(4,031)
Fair value gains on investment properties	<u>–</u>	<u>142</u>	<u>142</u>
Segment results	<u>(42,339)</u>	<u>(6,229)</u>	<u>(48,568)</u>
Reconciliation:			
Discount at initial recognition on interest-free loans			4,491
Finance costs			(10,731)
Gain on disposal of a financial asset at fair value through profit or loss			<u>226</u>
Loss before tax			(54,582)
Income tax expense			<u>(5,913)</u>
Loss for the year attributable to owners of the Company			<u><u>(60,495)</u></u>

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

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

Geographical information

Revenue from external customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	119,695	122,796
Japan	826	56
	120,521	122,852

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

Information about major customers

For the year ended 31 March 2022, there were 3 (2021: 2) 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 2022 and 2021, the revenue from each of these customers was as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	22,246	15,330
Customer B	18,347	N/A
Customer C	14,398	N/A
Customer D	N/A	19,040
	<u> </u>	<u> </u>

4. REVENUE

An analysis of revenue is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>Revenue from contracts with customers:</i>		
Provision of construction and engineering services		
– Building construction services	10,134	10,493
– Alteration, addition, fitting-out works and building services	101,535	95,331
– Repair and restoration of historic buildings	7,773	16,384
	<u> </u>	<u> </u>
	119,442	122,208
<i>Revenue from other sources:</i>		
Property development and investment		
– Gross rental income from investment property operating leases	1,079	644
	<u> </u>	<u> </u>
	<u>120,521</u>	<u>122,852</u>

5. OTHER INCOME AND GAINS, NET

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income		
Bank interest income	–	39
Discount at initial recognition on interest-free loans from former shareholders (<i>Note (i)</i>)	4,491	8,315
Government grants (<i>Note (ii)</i>)	60	4,416
Others	186	105
	<u>4,737</u>	<u>12,875</u>
Gains, net		
Gains on disposal of items of property, plant and equipment, net	–	516
Gain on disposals of investment properties, net	460	–
Gain on remeasurement of a previously held interest	–	1,632
Gain on disposal of financial assets as fair value through profit or loss	226	–
Waiver of a loan from former shareholders	20,000	–
Gain on early termination of a lease	12	–
	<u>20,698</u>	<u>2,148</u>
	<u><u>25,435</u></u>	<u><u>15,023</u></u>

Notes:

- (i) During the year ended 31 March 2022, income of approximately HK\$4,491,000 (2021: HK\$8,315,000) represented the discount at initial recognition of interest-free loans from former shareholders of HK\$83,201,000 (2021: HK\$80,000,000) using the prevailing market interest rate of 3.0% (2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Construction cost recognised in cost of sales [#]	116,242	139,646
Direct operating expenses (including repair and maintenance) arising from rental-earning investment properties [#]	1,844	129
Auditor's remuneration		
Audit services	1,510	1,510
Non-audit services	180	200
Depreciation of property, plant and equipment	1,374	633
Depreciation of right-of-use assets	2,657	3,593
Employee benefit expense (including directors' and chief executive's emoluments)		
Wages and salaries	30,174	45,313
Discretionary bonuses	903	1,344
Pension scheme contributions (defined contribution scheme)	1,220	1,639
	32,297	48,296
Lease payments not included in the measurement of lease liabilities (included in administrative expenses)	1,672	380
Impairment of goodwill [^]	15,577	1,911
Impairment of trade receivables [^]	7,606	352
Impairment of contract assets [^]	4,565	2,256
Impairment of other receivables [^]	4,105	129
Impairment of property, plant and equipment	1,899	–
Foreign exchange differences, net [^]	4,906	1,619

[^] The amounts are included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

[#] 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 2022 (2021: Nil).

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax – Hong Kong		
Overprovision in prior years	–	(14)
	–	(14)
Deferred	5,913	371
Income tax expense	5,913	357

8. DIVIDENDS

The directors of the Company did not recommend the payment of a dividend for the year ended 31 March 2022 (2021: 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 960,000,000 (2021: 898,192,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2022 and 2021.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation	(60,495)	(52,810)
	Number of shares	
	2022	2021
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	960,000	898,192

10. INVESTMENT PROPERTIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At beginning of the year	35,595	22,330
Acquisition of a subsidiary	–	13,602
Fair value gains on investment properties, net	142	74
Disposals	(22,820)	–
Exchange realignment	(1,129)	(411)
	<hr/>	<hr/>
Carrying amount at 31 March	11,788	35,595
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	17,587	22,965
Impairment on trade receivables	(7,958)	(352)
	<hr/>	<hr/>
	9,629	22,613
	<hr/>	<hr/>
Prepayments, deposits and other receivables:		
Prepayments	8,808	3,259
Deposits	2,969	1,712
Other receivables	4,540	5,009
Impairment on other receivables	(4,234)	(129)
	<hr/>	<hr/>
	12,083	9,851
	<hr/>	<hr/>
Total	21,712	32,464
	<hr/>	<hr/>
Portion classified as current assets	21,712	(31,649)
	<hr/>	<hr/>
Non-current portion	–	815
	<hr/> <hr/>	<hr/> <hr/>

Note:

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 30 days	7,456	19,336
31 to 60 days	821	15
61 to 90 days	103	8
Over 90 days	1,249	3,254
	9,629	22,613

12. CONTRACT ASSETS/(LIABILITIES)

	31 March 2022 <i>HK\$'000</i>	31 March 2021 <i>HK\$'000</i>	1 April 2020 <i>HK\$'000</i>
Unbilled revenue relating to construction contracts	200,638	203,117	228,873
Retention receivables of construction contracts	26,976	28,491	33,193
	227,614	231,608	262,066
Impairment	(6,821)	(2,256)	–
	220,793	229,352	262,066
Contract liabilities relating to construction contracts	(13,868)	(16,481)	(5,360)

13. TRADE AND OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	57,719	72,158
Other payables and accruals	10,490	7,937
	68,209	80,095

Note:

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 30 days	29,151	35,063
31 to 60 days	773	1,977
61 to 90 days	399	2,228
Over 90 days	27,396	32,890
	<u>57,719</u>	<u>72,158</u>

14. BANK AND OTHER BORROWINGS AND LOANS FROM A SHAREHOLDER

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank borrowings	5,231	34,599
Other borrowings	93,201	117,193
	<u>98,432</u>	<u>151,792</u>
Current portion	<u>(11,231)</u>	<u>(78,265)</u>
Non-current portion	<u>87,201</u>	<u>73,527</u>
Loans from a shareholder		
Non-current portion	<u>98,210</u>	<u>57,883</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\$1,079,000 (2021: HK\$644,000), details of which are included in note 4 to this announcement.

At 31 March 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	–	797
After one year but within two years	–	586
After two years but within three years	–	586
After three years but within four years	–	439
	<hr/>	<hr/>
	–	2,408
	<hr/> <hr/>	<hr/> <hr/>

16. CONTINGENT LIABILITIES

At 31 March 2022 and 2021, the Group's contingent liabilities were as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Surety bonds (<i>Note</i>)	2,410	4,747
	<hr/> <hr/>	<hr/> <hr/>

Note: As at 31 March 2022, the Group provided guarantees of surety bonds in respect of 3 (2021: 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.

17. EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2022 and up to the date of this announcement.

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 2022 (the “Year”) and the comparative year according to our four major types of services:

	Year ended 31 March			
	2022	%	2021	%
	<i>HK\$'000</i>		<i>HK\$'000</i>	
Building construction services	10,134	8.4	10,493	8.5
Alteration, addition, fitting-out works and building services	101,535	84.3	95,331	77.6
Repair and restoration of historic buildings	7,773	6.4	16,384	13.4
Property development and investment	1,079	0.9	644	0.5
Total	120,521	100.0	122,852	100.0

As at 31 March 2022, there were 2, 26 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.

As at 31 March 2022, the aggregate amount of revenue expected to be recognised after 31 March 2022 of our on-going projects was approximately HK\$98.5 million.

The following table sets out our completed contracts during the year ended 31 March 2022 with contract sum of HK\$3 million or above:

Particulars of project	Main category of works	Expected project period^(Note 1)
Alteration and addition works for a school in Tai Tam	Alteration, addition, fitting-out works and building services	March 2020 to July 2021
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
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
Conversion works for a school in Shek Kip Mei	Alteration, addition, fitting-out works and building services	December 2020 to May 2021
Major repair for a school in Tai Wai	Alteration, addition, fitting-out works and building services	July 2021 to August 2021
Conversion works for a school in Shek Kip Mei	Alteration, addition, fitting-out works and building services	June 2021 to August 2021
Alteration and addition and renovation works for a project in Fanling	Alteration, addition, fitting-out works and building services	November 2018 to August 2020
Traffic improvement work for cemetery in Chai Wan	Alteration, addition, fitting-out works and building services	August 2020 to February 2021
Refurbishment of Central Pier Waterfront sitting-out area	Alteration, addition, fitting-out works and building services	November 2020 to October 2021
Main contract works for setting up cold store in Yuen Long	Alteration, addition, fitting-out works and building services	November 2020 to April 2021
Renovation work for a plaza in Lai Chi Kok	Alteration, addition, fitting-out works and building services	December 2021 to March 2022
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

Particulars of project	Main category of works	Expected project period^(Note 1)
Electrical and ACMV installation system in Kai Tak	Alteration, addition, fitting-out works and building services	October 2018 to November 2020
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.

The following table sets out brief details of our projects in progress as at 31 March 2022 with contract sum of more than HK\$3 million:

Particulars of project	Main category of works	Expected project period^(Note 1)
Residential development in Ting Kau	Building construction services	September 2018 to December 2019
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
Modifications of atrium roof for an university in Clear Water Bay	Alteration, addition, fitting-out works and building services	April 2021 to June 2022
Fitting-out works for a Care & Attention Home for the Elderly in Kwun Tong	Alteration, addition, fitting-out works and building services	June 2021 to December 2021
Refurbishment of public toilet in Tsuen Wan	Alteration, addition, fitting-out works and building services	August 2021 to March 2022
Plumbing and drainage installation work for an office development project in North Point	Alteration, addition, fitting-out works and building services	June 2021 to November 2022

Particulars of project	Main category of works	Expected project period^(Note 1)
Fitting-out works for The Hong Kong Buddhist Association Sha Tin Centre	Alteration, addition, fitting-out works and building services	November 2021 to March 2022
Re-roofing for a study centre of an university in Tseung Kwan O	Alteration, addition, fitting-out works and building services	December 2021 to May 2022
Restoration works for a Buddhist temple in Happy Valley	Repair and restoration of historic buildings	August 2020 to August 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 2022, 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

Relevant authority/ organisation	Relevant list/category	License	Holder	Date of first grant/ registration	Expiry date for existing license	Authorised contract value
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works – Repair and Restoration of Historic Buildings Category ³	–	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 ⁴	–	Milestone Builder	29 October 2008	14 October 2023	Not Applicable
Buildings Department	Certificate of Registration of Registered Minor Works Contractor ^{5,6}	Type A–D, E, F, G (Class I, II, III) ^{7,8}	Milestone Builder	2 September 2011	2 September 2023	Not Applicable
Buildings Department	Certificate of Registration of Specialist Contractor ⁹	Site Formation Works ¹⁰	Milestone Builder	27 September 2006	10 September 2024	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 Registered Minor Works Contractor	Type A, B, D, E, F, G (Class II & III)	Speedy Engineering	7 March 2013	7 March 2025	Not Applicable
Buildings Department	Certificate of Registration of General Building Contractor ⁴	–	Speedy Engineering	28 February 2019	30 January 2025	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 2022 was approximately HK\$120.5 million, representing a decrease of 2.0% from approximately HK\$122.9 million for the year ended 31 March 2021. 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 the fifth wave of COVID-19 in Hong Kong and the overall economic depression in Hong Kong.

Gross Profit/(Loss)

The Group’s gross profit for the year ended 31 March 2022 was approximately HK\$2.4 million (31 March 2021: gross loss of approximately HK\$16.9 million). The gross loss for the year ended 31 March 2021 was due to the 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\$32.6 million during the year ended 31 March 2021 to approximately HK\$33.2 million during the year ended 31 March 2022.

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

During the year ended 31 March 2022, the Group reported loss before tax of approximately HK\$54.6 million (31 March 2021: approximately HK\$52.5 million).

Loss for the Year attributable to owners of the Company was approximately HK\$60.5 million (31 March 2021: approximately HK\$52.8 million).

DEBTS AND CHARGES ON ASSETS

As at 31 March 2022, the total interest-bearing borrowings of the Group, including bank and other borrowings, loans from a shareholder and lease liabilities, was approximately HK\$106.6 million (31 March 2021: approximately HK\$98.9 million). Borrowings were denominated mainly in Hong Kong dollars and interest rates of bank and other borrowings were charged at 2.8%–6.0% (2021: 1.5%–6.0%) 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 2022 and 2021, no assets of the Group were pledged to secure the Group's bank and other borrowings.

Save as disclosed elsewhere in this announcement, we did not have, at the closure of business on 31 March 2022, 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 2022, the Group had cash and bank balances of approximately HK\$10.2 million (31 March 2021: approximately HK\$17.2 million). The Group's gearing ratio and current ratio are as follows:

	As at 31 March	
	2022	2021
Current ratio	2.7	1.6
Gearing ratio	<u>86%</u>	<u>68%</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 (net debt including loans from a shareholder, lease liabilities, bank and other 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 a shareholder, and we have sufficient working capital for our future requirements.

PROSPECTS

Looking forward, various external and domestic factors that exacerbated the cyclical slowdown in global economic activities in 2021/22 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 2022 and for the year ended 31 March 2022, 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.

There were no significant investments held, material acquisitions or disposals of subsidiaries and associated companies during the Year.

CAPITAL COMMITMENTS

As at 31 March 2022, 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 2022.

EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2022 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group had 57 employees, including 36 staff and 21 workers (31 March 2021: 98 employees, including 70 staff and 28 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 2022 was approximately HK\$32.3 million (31 March 2021: approximately HK\$48.3 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 2022 (31 March 2021: 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 Thursday, 29 September 2022 (the "2022 AGM"), the register of members of the Company will be closed from Monday, 26 September 2022 to Thursday, 29 September 2022, 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 2022 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 Friday, 23 September 2022.

Compliance with the Corporate Governance Code

Throughout the year ended 31 March 2022, 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”).

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 2022 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 2022.

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 2022.

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 2022 as set out in the preliminary announcement have been agreed by the Company's auditor, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company's auditor on the preliminary announcement.

Publication of Annual Report

The annual report for the year ended 31 March 2022 containing all relevant information required by the Listing Rules will be despatched to shareholders of the Company and published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.milestone.hk) in due course.

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

Hong Kong, 29 June 2022

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.