MILESTONE

Milestone Builder Holdings Limited
進階發展集團有限公司

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限責任公司)
Stock code 股份代號: 1667

Annual Report
年報 2016/2017

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Leung Kam Fai *(Chairman)*
Mr. Lam Ka Ho

Independent Non-Executive Directors

Mr. Keung Kwok Hung
Ms. Lau Suk Han Loretta
Mr. Poon Man Hong#
Mr. Fong Man Fu Eric*

Audit Committee

Mr. Keung Kwok Hung *(Chairman)*
Ms. Lau Suk Han Loretta
Mr. Poon Man Hong#
Mr. Fong Man Fu Eric*

Remuneration Committee

Mr. Keung Kwok Hung *(Chairman)*
Mr. Leung Kam Fai
Mr. Poon Man Hong#
Mr. Fong Man Fu Eric*

Nomination Committee

Mr. Poon Man Hong *(Chairman)*#
Mr. Fong Man Fu Eric *(Chairman)**
Mr. Leung Kam Fai
Mr. Keung Kwok Hung

Authorised Representatives

Mr. Leung Kam Fai
Mr. Lam Ka Ho

Company Secretary

Mr. Wong Chi On

Compliance Advisor

Ample Capital Limited

Auditor

PricewaterhouseCoopers

Registered Office

Clifton House
75 Fort Street, PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Head Office and principal place of Business

14/F, 9 Po Lun Street
Lai Chi Kok, Kowloon
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Estera Trust (Cayman) Limited
PO Box 1350, Clifton House
75 Fort Street, Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
Nanyang Commercial Bank Limited
Shanghai Commercial Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

Stock Code

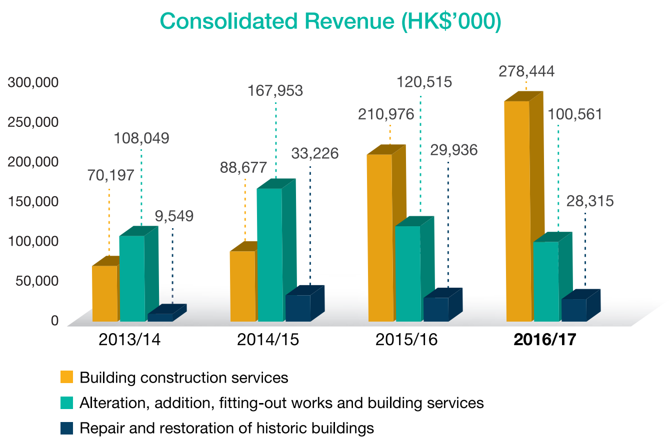
01667

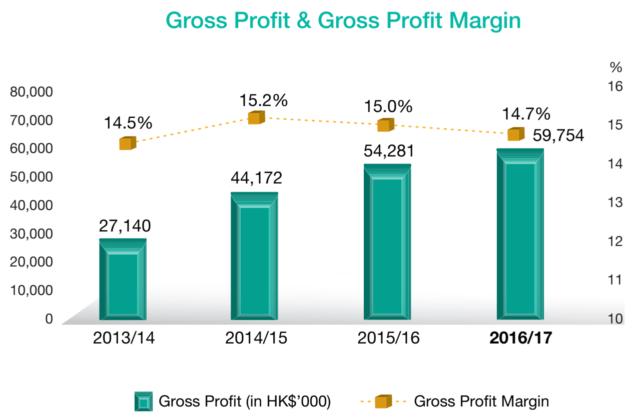
Website

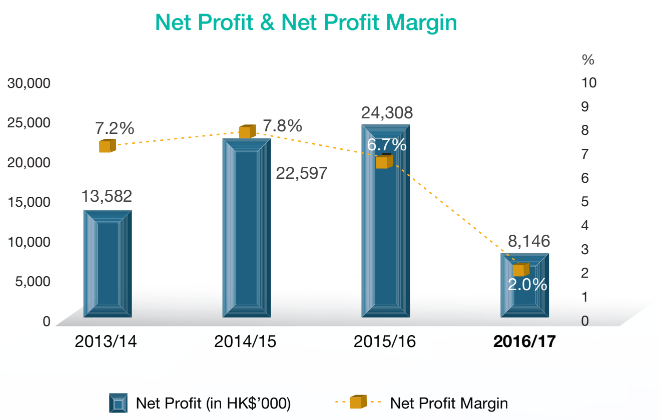
http://milestone.hk

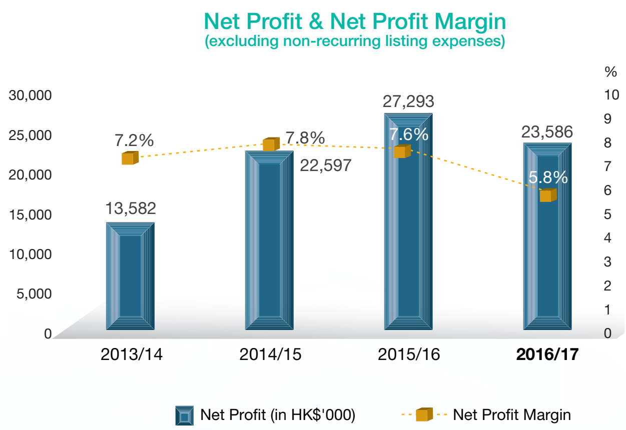
Resigned on 29 June 2017
* Appointed on 29 June 2017

FINANCIAL HIGHLIGHTS









CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present our first annual report on behalf of the board (the "Board") of directors (the "Directors") since the public listing of Milestone Builder Holdings Limited (the "Company" and together with its subsidiaries, the "Group" or "our Group" or "we" or "our") for the year ended 31 March 2017 (the "Year").

The shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7 April 2017 (the "Listing"). On behalf of the Group, I would like to extend our appreciation to all parties who have helped us build our business over the years as well as to those who helped bring our Company to the Listing on the Stock Exchange.

The Group has more than 16 years' experiences in the construction industry in Hong Kong. We are an established contractor with job references in both private and public sectors in (i) building construction services; (ii) alteration, addition and fitting-out works and building services; and (iii) repair and restoration of historic buildings. The long established relationship with customers, subcontractors and the suppliers and the commitment of our strong and dedicated management team to provide quality work and service has played a vital role in building up our reputation and the Group's competitiveness in the market. We have recorded a revenue of approximately HK$407.3 million for the year ended 31 March 2017.

Just like our name "Milestone", the Listing is a key milestone for the Group. After the Government of the Hong Kong Special Administrative Region (the "Government") announced the building of a third runway at Hong Kong International Airport, the Signature Project Scheme and the provision of barrier free access and facilities, the growth of the structures and facilities for the coming years is expected to be significant. Moreover, as evident by the Revitalisation Scheme and the Maintenance Scheme, the Government's policies to stimulate urban renewal plans and to revitalise old industrial buildings provide greater market opportunities to public contractors in Hong Kong.

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

On behalf of the Board, I would like to take this opportunity to extend my sincere appreciation to our shareholders, customers, subcontractors and suppliers for their continuous support, as well as the management team and the staff of the Group for their hard work and dedication.

Leung Kam Fai
Chairman

Hong Kong, 29 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

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

Business Review

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

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

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

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

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

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

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

Particulars of project	Main category of works	Expected project period(Note1)
Hong Kong, Zhuhai, Macao Bridge ancillary building works	Building construction services	August 2015 to October 2017
Hong Kong, Zhuhai, Macao Bridge boundary crossing facilities	Building construction services	July 2016 to August 2017
Hong Kong, Zhuhai, Macao Bridge steel and metal works	Building construction services	July 2016 to August 2017
Design and construction for new artificial turf system for a soccer field in a school in Kowloon	Building construction services	June 2016 to October 2016
Construction of new buildings in Mong Kok	Building construction services	September 2015 to December 2016
Design and build for school extension and improvement projects	Building construction services	August 2016 to August 2018
Design and construction for a proposed recreational ground in a school	Building construction services	May 2016 to November 2016
Upgrading two artificial turfs of a university	Building construction services	December 2016 to March 2018
Alteration and addition works of a club in Causeway Bay	Alteration, addition, fitting-out works and building services	August 2015 to January 2017
Lobby and driveway renovation of a hotel in Tsim Sha Tsui	Alteration, addition, fitting-out works and building services	August 2016 to December 2016
Enabling works for network in Hung Hom	Alteration, addition, fitting-out works and building services	September 2016 to November 2016
Plumbing and drainage installation works	Alteration, addition, fitting-out works and building services	March 2016 to June 2017
Electricity works of a water treatment plant in Tai Po	Alteration, addition, fitting-out works and building services	September 2016 to July 2017
Replacement of existing lifting machines in Yuen Long	Alteration, addition, fitting-out works and building services	September 2016 to May 2017

Particulars of project	Main category of works	Expected project period[Note1]
Fitting-out works for a delivery office in Tseung Kwan O	Alteration, addition, fitting-out works and building services	November 2016 to January 2017
Alteration & additional works for a retail network project in Hung Hom	Alteration, addition, fitting-out works and building services	November 2016 to July 2017
Refurbishment of seats & carpets in an auditorium in Kwai Chung	Alteration, addition, fitting-out works and building services	March 2017 to August 2017
Provision of children's play equipment and facilities for the elderly in sitting-out area in Tuen Mun	Alteration, addition, fitting-out works and building services	January 2017 to December 2017
Advance works for utility diversion for extension of a clubhouse in Happy Valley	Alteration, addition, fitting-out works and building services	December 2016 to April 2017
Fitting-out works to lift lobby and atrium for a commercial development in Shek Mun	Alteration, addition, fitting-out works and building services	April 2016 to September 2016
Electrical works for a holiday camp in Sai Kung	Alteration, addition, fitting-out works and building services	September 2016 to December 2017
Plumbing, sanitaryware and above ground drainage installation in a redevelopment project in Wan Chai	Alteration, addition, fitting-out works and building services	October 2016 to October 2017
Alteration and addition works for a project in Yuen Long	Alteration, addition, fitting-out works and building services	March 2017 to June 2018
Revitalisation and conservation for a cluster of house in Wan Chai	Repair and restoration of historic buildings	September 2013 to April 2017
Conservation works for the revitalisation at a former magistracy in Fanling	Repair and restoration of historic buildings	July 2016 to May 2017

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 28 June 2017, our Group has obtained the following major licenses, qualifications and certifications in Hong Kong:

Relevant authority/ Organisation	Relevant list/Category	License	Holder	Date of first grant/ Registration	Expiry date for existing license	Authorised contract value
WBDB[1]	Approved Contractors for Public Works — Buildings Category	Group A (probation)[2]	Milestone Builder Engineering Limited ("Milestone Builder")	2 May 2012	Not Applicable	Contracts of value up to HK$100 million
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works — Repair and Restoration of Historic Buildings Category[3]	—	Milestone Builder	4 June 2013	Not Applicable	Not Applicable
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works — Electrical Installation Category	Group II of Electrical Installation (probation)	Speedy Engineering & Trading Company Limited ("Speedy Engineering")	21 June 2016	Not Applicable	Contracts/ sub-contracts of value up to HK$5.7 million
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works — Plumbing Installation Category	Group I of Plumbing Installation	Speedy Engineering	25 May 2017	Not Applicable	Contracts/ sub-contracts of value up to HK$2.3 million
Buildings Department	Certificate of Registration of General Building Contractor[4]	—	Milestone Builder	29 October 2008	14 October 2017	Not Applicable
Buildings Department	Certificate of Registration of Registered Minor Works Contractor[5,6]	Type A–D, F, G (Class I, II, III)[7,8]	Milestone Builder	2 September 2011	2 September 2017	Not Applicable
Buildings Department	Certificate of Registration of Specialist Contractor[9]	Site Formation Works[10]	Milestone Builder	27 September 2006	10 September 2018	Not Applicable
Buildings Department	Certificate of Registration of Registered Minor Works Contractor	Type A, B, D, G (Class II & III)	Speedy Engineering	7 March 2013	7 March 2019	Not Applicable

1 WBDB refers to the Works Branch Development Bureau (發展局工務科) of the Government. The Development Bureau has maintained the Contractor List and the Specialist List to monitor the eligibility of a contractor to tender for Government contracts.

2 A Group A (probation) contractor may tender for any number of Group A contracts (i.e. contracts of value up to HK$100 million) in the same category, provided the total value of works in the Group A contracts that it already holds and the Group A contract being procured under the same category does not exceed $100 million.

3 A Repair and Restoration of Historic Buildings Category contractor is eligible to tender for Government contracts relating to repair and restoration of historic buildings and structures.

4 The current license was granted on 28 August 2014 and will expire on 14 October 2017.

(Registered general building contractors (RGBC) may carry out general building works and street works which do not include any specialized works in the designated categories).

5 Minor Works Contractors are eligible to carry out various types of minor works.

6 Minor works are classified into three classes according to their scale, complexity and risk to safety and are subject to different degree of control. Minor works are grouped into seven types (i.e. Types A, B, C, D, E, F and G) according to their nature.

7 Type A (Alteration and Addition Works); Type B (Repair Works); Type C (Works relating to Signboards); Type D (Drainage Works); Type E (Works relating to Structures for Amenities); Type F (Finishes Works); and Type G (Demolition Works).

8 Class I (High degree of complexity and risk with 44 minor works items); Class II (Medium degree of complexity and risk with 40 minor works items); and Class III (Low degree of complexity and risk with 42 minor works items).

9 Registered specialist contractors may carry out specialized works in their corresponding categories in the sub-registers in which they have been entered. There are five categories of works designated as specialized works: demolition works, foundation works, ground investigation field works, site formation works and ventilation works.

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

Development of the Group

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

Financial Review

Revenue

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

Gross Profit and Gross Profit Margin

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

Administrative Expenses

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

Net Profit and Adjusted Net Profit

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

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

Principal Risks and Uncertainties

— Fluctuating cash flows pattern

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

— Inaccurate estimation on the estimated time and costs

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

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

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

— Failure to obtain new projects

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

— Irregular profit margin

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

— Reduction of construction works in Hong Kong

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

Debts and Charge on Assets

The total interest bearing bank borrowings of the Group, including bank loans and finance leases, was approximately HK$63.1 million as at 31 March 2017, increased from approximately HK$38.3 million as at 31 March 2016. These banking facilities were secured by the Group's assets which details disclosed in note 25 to the consolidated financial statements. Borrowings were denominated mainly in Hong Kong dollars and interest rate of bank borrowings were charged at 3.3%–7.0% per annum. The Group currently does not have an interest rate hedging policy while the Group monitors interest rate risks continuously.

Save as disclosed above, we did not have, at the closure of business on 31 March 2017, any loan capital issued nor any outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities except those disclosed in notes 29 and 30 to the consolidated financial statements.

Liquidity, Financial Resources and Capital Structure

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

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

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

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

Gearing ratio is calculated based on the net debt (total debts including borrowings and obligation under finance leases, less cash and cash equivalents (excluding bank overdrafts)) divided by total capital (summation of equity plus net debt).

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

Use of net proceeds from the Listing

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

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

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

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

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

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

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

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

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

Prospects

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

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

Foreign Exchange Exposure

Most of the income and expenditures of the Group are denominated in Hong Kong dollars, being the functional currency of the Group, and hence, the Group does not have any material foreign exchange exposure. As at 31 March 2017 and for the year ended 31 March 2017, the Group has not implemented or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations.

Significant Investment, Material Acquisition and Disposal of Subsidiaries and Associated Companies

The Company was incorporated in the Cayman Islands on 8 June 2016 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. In preparation of the listing of the Company's shares on the Stock Exchange, the Group underwent the reorganisation pursuant to which the Company became the holding company of the subsidiaries now comprising the Group on 18 November 2016 (the "Reorganisation"). For details of the Reorganisation, please refer to note 1.2 to the consolidated financial statements.

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

Capital Commitments

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

Lease Commitments

The Group leases car parking spaces, office premises and warehouses under non-cancellable operating lease agreements. The lease terms are 2 to 3 years and the lease arrangements are renewable at the end of the lease period at market rate. For details of the lease commitments, please refer to note 29 to the consolidated financial statements.

Contingent Liabilities

Save as disclosed in note 30 to the consolidated financial statements, the Group had no other contingent liabilities as at 31 March 2017.

Event after the Reporting Period

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

Employees and Remuneration Policy

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

Share Options

A share option scheme (the "Scheme") was adopted pursuant to a shareholders' written resolution of the Company passed on 13 March 2017. No share options have been granted, exercised or cancelled under the Scheme since its adoption date and up to the date of this annual report. The Scheme will remain in force for a period of 10 years after the date of adoption.

DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The composition of the Board of Directors during the Year and up to the date of this annual report is set out below:

Executive Directors

Mr. Leung Kam Fai ("Mr. Leung"), aged 50, is our executive Director. He was appointed as a Director on 8 June 2016, and re-designated as an executive Director and appointed as the Chairman of the Board on 26 September 2016. Mr. Leung serves as a member of our remuneration and nomination committee. He is responsible for the financial and operational aspects of our Group and the formulation of business development strategies of our Group.

Mr. Leung has over 14 years of experience in the construction and civil engineering industry. In November 2001, Mr. Leung founded Milestone Builder with Mr. Lam Ka Ho and has become a director of Milestone Builder since its incorporation.

Mr. Leung obtained a Master of Science in Construction Financial Management degree from the Heriot-Watt University in the United Kingdom in November 2009. He was granted as a Professional Member of the Royal Institution of Chartered Surveyors in August 2010, elected as a Member of the Hong Kong Institute of Surveyors in September 2012 and became a Registered Professional Surveyor in the Building Surveying Division in January 2014.

He was awarded the Gold Award in the Construction Manager of the Year Awards 2012 from the Chartered Institute of Building (Hong Kong) in Heritage Conservation Category in 2012.

Mr. Lam Ka Ho ("Mr. Lam"), aged 51, is our executive Director. He was appointed as a Director on 8 June 2016, and re-designated as an executive Director on 26 September 2016. Mr. Lam is responsible for the financial and operational aspects of our Group and for monitoring of all projects and the formulation of business development strategies of our Group. He is one of the co-founders of Milestone Builder.

Mr. Lam has over 14 years of experience in the construction and civil engineering industry. In November 2001, Mr. Lam founded Milestone Builder with Mr. Leung and has become a director of Milestone Builder since its incorporation.

Independent Non-Executive Directors

Mr. Keung Kwok Hung (''Mr. Keung''), aged 44, was appointed as our independent non-executive Director on 13 March 2017. Mr. Keung serves as chairman of our audit committee and remuneration committee and a member of our nomination committee. He is responsible for participating in making significant decisions and giving advice on corporate governance, connected transactions and remuneration and nomination of Directors and senior management of our Group.

He has over 20 years of experience in accounting and financial management. Before joining our Group, he worked as an associate with PricewaterhouseCoopers Ltd in August 1994 and left PricewaterhouseCoopers as a manager in July 2000. From January 2002 to April 2004, he worked as a financial controller with Shun Kam Company Limited. After leaving Shun Kam Company Limited, he joined China Force Oil & Grains Industrial Holdings Co., Ltd (a company listed on the Main Board and currently known as Munsun Capital Group Limited, stock code: 1194) as a finance controller, company secretary and qualified accountant from April 2004 to November 2006. From November 2006 to February 2009, he worked as a director with Russell Bedford Hong Kong Limited. He further pursued his career by joining EMCOM International Limited (a company listed on the GEM Board and currently known as Bingo Group Holdings Limited, stock code: 8220) as an executive director from July 2009 to July 2010. From September 2010 to present, he first worked as a chief financial officer and a member of the investment committee of Ming Fai International Holdings Limited (a company listed on the Main Board, stock code: 3828) and then later was further appointed as the company secretary in May 2013, an executive director and a member of the executive committee of Ming Fai International Holdings Limited in September 2014. He has been the company secretary and an executive director of Ming Fai International Holdings Limited since May 2013 and September 2014, respectively.

Mr. Keung became a fellow of the Hong Kong Institute of Certified Public Accountants ("HKICPA") in July 2006 and a fellow of the Association of Chartered Certified Accountants in December 2002. Mr. Keung obtained a bachelor of arts degree in Accountancy from the Hong Kong Polytechnic University in November 1994.

Ms. Lau Suk Han Loretta ("Ms. Lau"), aged 48, was appointed as our independent non-executive Director with effect from 13 March 2017. Ms. Lau serves as a member of our audit committee. She is responsible for participating in making significant decisions and giving advice on corporate governance, connected transactions and remuneration and nomination of Directors and senior management of our Group.

Ms. Lau has over 20 years of legal experience in corporate finance. Prior to joining our Group, she worked as a partner in various law firms in Hong Kong from 2001 to 2014. She joined Platinum Securities Company Ltd as a consultant in June 2015.

Ms. Lau was admitted as solicitor in Hong Kong in November 1993 and as solicitor in England and Wales in March 1999.

Ms. Lau obtained a Bachelor of Laws degree from the University of Hong Kong in December 1990. She also obtained a Postgraduate Certificate in Laws from the University of Hong Kong in June 1991.

Mr. Poon Man Hong ("Mr. Poon"), aged 43, was appointed as our independent non-executive Director with effect from 13 March 2017 and resigned on 29 June 2017. During his office as our independent non-executive Director, Mr. Poon served as chairman of our nomination committee and a member of our audit committee and remuneration committee and was responsible for participating in making significant decisions and giving advice on corporate governance, connected transactions and remuneration and nomination of Directors and senior management of our Group.

Mr. Poon has 20 years of experience in the construction industry. Prior to joining our Group, he joined Ove Arup & Partners Hong Kong Ltd in September 1996, and left Ove Arup & Partners Hong Kong Ltd as an engineer in November 2003. From June 2005 to March 2007, he worked with the Buildings Department of Hong Kong as a structural engineer (contract). After leaving the Buildings Department of Hong Kong, Mr. Poon joined Kingland Concrete Drilling Co., Ltd. as a project engineer from August 2007 to August 2008. He further pursued his career by joining The Board of Management of the Chinese Permanent Cemeteries from September 2008 to June 2015 as a deputy project manager. He has been serving as a managing director of Rerizon Ltd. since July 2015.

Mr. Poon has been holding various professional qualifications. He was admitted as a member of the Institution of Civil Engineers in March 2003; a member of the Chartered Institute of Arbitrators in January 2003; an associate of the Hong Kong Institute of Arbitrators in February 2003; and a BEAM Professional of the Hong Kong Green Building Council Limited in December 2013.

Mr. Poon obtained a Bachelor of Engineering degree from the University of Hong Kong in November 1996. He has also completed a Postgraduate Diploma in Construction Law and Arbitration at the University of Hong Kong in November 2002 and a Postgraduate Diploma in Project Management from the University of Greenwich, the United Kingdom in June 2014.

Mr. Fong Man Fu Eric ("Mr. Fong"), aged 61, was appointed as our independent non-executive Director with effect from 29 June 2017. Mr. Fong serves as chairman of our nomination committee and a member of our audit committee and remuneration committee. He is responsible for participating in making significant decisions and giving advice on corporate governance, connected transactions and remuneration and nomination of Directors and senior management of our Group.

Mr. Fong has over 38 years of experience in the construction industry and has extensive experience in civil and building projects and in particular multi-discipline project management. Prior to joining our Group, he served a number of organizations including the Mass Transit Railway Corporation, Slipform Engineering Limited, Hongkong International Terminals Limited, Ho Tin & Associates Consulting Engineers Limited, Balfour Beatty Zen Pacific Joint Venture, Dix Construction & Transportation Limited, China Harbour Engineering Company Limited, The Board of Management of the Chinese Permanent Cemeteries and Continental Engineering Corporation. He has been serving as the Project Director of Happy Construction Company since January 2017.

Mr. Fong has been holding various professional qualifications. He is a Registered Professional Engineer and was admitted as a member of the Hong Kong Institution of Engineers in June 2000. He has been serving the Hong Kong Institution of Engineers as a professional assessment assessor since 2010. He was also registered as a Voluntary Building Assessment Scheme Assessors (List 2A) since 2012.

Mr. Fong obtained a Higher Diploma in Structural Engineering from the Hong Kong Polytechnic in 1977. He obtained a Master of Business Administration from the University of East Asia in Macau in 1987 and a Diploma in Maritime Transport from the University of Wales Cardiff in the United Kingdom in 1996.

Senior Management

Mr. Leung Chin Hung Aaron ("Mr. Aaron Leung"), aged 49, is the founder of Speedy Engineering and has been a director of Speedy Engineering since its incorporation. Mr. Aaron Leung has also become a contracts manager of our Group since April 2016. He is responsible for the implementation of works and the overall management of contracts of our Group.

Mr. Aaron Leung has over 20 years of experience in the building services work. Prior to incorporating Speedy Engineering, he worked as a site supervisor with Laiwhole Ltd. from January 1991, a project co-ordinator with Golden Horse Property (Holdings) Co. Ltd. from April 1994 to January 1995, a technical assistant with Gammon Construction Limited from February 1995 to January 1997, an assistant engineer with Ever Victory Engineering Limited from September 1999 to May 2002 and an electrical engineer with Wah Cheong Engineering (H.K.) Limited from January 2005.

Mr. Aaron Leung obtained a Certificate in Building Studies from the Vocational Training Council in August 1998 and a Certificate in Building Services Engineering from the Vocational Training Council in July 2004.

Mr. Lui Sum Wah ("Mr. Lui"), aged 64, joined Milestone Specialty Engineering Limited ("Milestone Specialty") in February 2012 and has become a director of Milestone Specialty since then. He is also an administrator of Spartan Engineering (Macau) Limited. He was promoted to the position of contracts manager of our Group in April 2016 and is responsible for the implementation of works and the overall management of contracts of our Group.

Prior to joining Milestone Specialty, he was a director of New Method Engineering Limited from 1983 to 1987. Mr. Lui completed his secondary education in Hong Kong in 1971.

Mr. Ng Si Yin, Ben ("Mr. Ng"), aged 60, joined Milestone Builder in July 2011 as a project manager, and was promoted to the position of contracts manager in April 2016. He is responsible for the implementation of works and the overall management of contracts of our Group.

Mr. Ng was approved as the authorised signatory of Milestone Builder under the Buildings Ordinance in April 2015.

Mr. Ng has over 35 years of experience in the construction and civil engineering industry. Prior to joining Milestone Builder, he worked as an assistant engineer with Hopewell Construction Co., Ltd. from June 1981. After leaving Hopewell Construction Co., Ltd. Mr. Ng joined H.K. Cheng & Partners Limited Consulting Engineers from 1982 to 2009, starting initially as an assistant engineer, subsequently as a project engineer from January 1986 to December 1989 and as an associate director from January 1990. He joined Unistress Building Construction Ltd as an engineering manager in January 2010.

Mr. Ng obtained a Baccalaureate in Applied Science degree in Civil Engineering from the University of Ottawa, Canada in May 1981.

Mr. Wong King Yin ("Mr. K. Y. Wong"), aged 39, joined Milestone Builder in December 2008 as a site agent, and was promoted to the position of contracts manager of our Group in April 2016. He is responsible for the implementation of works and the overall management of contracts of our Group.

Mr. K. Y. Wong was approved as the authorised signatory of Milestone Builder under the Buildings Ordinance in April 2015.

Mr. K. Y. Wong has over 19 years of experience in the construction and civil engineering industry. Prior to joining Milestone Builder, he joined Hanison Construction Company Limited in April 1997, and left as a senior project coordinator in August 2008.

Mr. K. Y. Wong obtained a Bachelor of Science degree in Construction Management from the University of Wolverhampton, the United Kingdom in July 2012.

Mr. Wong Chi On ("Mr. C. O. Wong"), aged 31, joined Milestone Builder in January 2016. He is currently our Company's financial controller and company secretary. He is responsible for the oversight of our Group's finance and accounts function and internal controls.

Mr. C. O. Wong worked at PricewaterhouseCoopers Limited from September 2007 to December 2015, initially as an associate and eventually to the position of senior manager, before joining Milestone Builder.

Mr. C. O. Wong obtained a degree of Bachelor of Business Administration (Upper Second Class Honours) from the Lingnan University in October 2007. Mr. C. O. Wong became a member of the HKICPA in January 2011.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report of the Company.

Corporate Governance Practices

The Board recognises the importance of corporate transparency and accountability. The Company is committed to achieving a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

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

As the shares of the Company were only listed on the Stock Exchange on 7 April 2017 (the "Listing Date"), the CG Code was not applicable to the Company during the year ended 31 March 2017. Throughout the period from the Listing Date to the date of this report (i.e. 29 June 2017), the Board is of the opinion that the Company had complied with the applicable code provisions as set out in the CG Code except for the deviation from code provision A.2.1 of the CG Code.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Leung Kam Fai is the Chairman who performs the duty of chief executive officer during the Year and since the Listing under code provision A.2.1 of the CG Code, is responsible for the financial and operational aspects of our Group and the formulation of business development strategies of our Group. The Board believes that vesting the roles of both Chairman and chief executive officer in Mr. Leung Kam Fai has the benefit of ensuring consistent and continuous planning and execution of the Company's strategies. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired in light of the diverse background and experience of the independent non-executive Directors, and the composition of the Board which comprises three Independent non-executive Directors and two executive Directors also provides added independence to the Board. Further, the Audit Committee composed exclusively of independent non-executive Directors has free and direct access to the Company's external auditors and independent professional advisers when it considers necessary.

Directors' Securities Transactions

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

The Board

The Board acts in good faith, with due diligence and care, to discharge its duties concerning the best interests of the Company and its shareholders. The primary role of the Board is to protect and enhance long term shareholders' value; it also oversees the management, business, strategies and financial performance of the Group to ensure that good corporate governance policies and practices are implemented within the Group. The management is responsible for the execution of the strategies in the Group's daily operations and the implementation of the risk management and internal control systems.

The composition of the Board during the Year and up to the date of this annual report is set out below:

Executive Directors

Leung Kam Fai *(Chairman)*
Lam Ka Ho

Independent Non-Executive Directors

Keung Kwok Hung
Lau Suk Han Loretta
Poon Man Hong (Resigned on 29 June 2017)
Fong Man Fu Eric (Appointed on 29 June 2017)

The biographies of the Directors during the Year and up to the date of this annual report and the relationships among them are set out in the "Directors and Senior Management" section on pages 17 to 20 of this annual report. The executive Directors bring a good balance of skills and experience to the Company. The independent non-executive Directors provide their independent judgment on the development, performance and risk management of the Group. The Directors are fully aware that they individually and collectively accountable to shareholders.

The executive Directors have entered into employment contracts with the Company and each of the independent non-executive Directors have been appointed on a specific term of three years. Notwithstanding the specific term of appointments, the articles of association of the Company (the "Articles of Association") provides that every Director shall be subject to retirement by rotation at the annual general meeting at least once every three years. At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and be eligible for re-election by the shareholders.

Independent Non-Executive Directors

During the period from the Listing Date to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Board Meetings

Subsequent to the Listing Date and up to the date of this annual report, a Board meeting was held on 28 June 2017 to approve the final results of the Group for the year ended 31 March 2017, convene the annual general meeting of the Company and consider the recommendation for payment of a final dividend. The Company shall schedule at least 4 regular Board meetings every year at approximately quarterly intervals in compliance with the CG Code.

The Directors shall also call Board meetings when they think it is appropriate and fit to handle the business affairs in respect of investment strategies, financial performance and potential risks relating to the daily operations of the Group.

Continuous Professional Development of Directors

During the period from the Listing Date to the date of this annual report, all Directors confirmed to comply with the provision of the CG Code in relation to continuous professional development. In doing so, the Directors have undertaken various forms of activities relevant to the Company's business, Directors' duties and responsibilities.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. The Company held a training for all Directors to provide them with knowledge on the duties and responsibilities of the Directors before the Listing.

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the period from the Listing Date and up to date of this annual report are summarized as follows:

Directors	**Type of Training** (Note)
Executive Directors	
Leung Kam Fai	B
Lam Ka Ho	B
Independent Non-Executive Directors	
Keung Kwok Hung	A, B
Lau Suk Han Loretta	B
Poon Man Hong (resigned on 29 June 2017)	B
Fong Man Fu Eric (appointed on 29 June 2017)	N/A

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

Board Committees

The Board has established certain Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee specific aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which clearly outline the committees' authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors. The members of the Board committees during the period from the Listing Date and up to the date of this annual report are set out below:

Audit Committee

Keung Kwok Hung *(Chairman)*
Lau Suk Han Loretta
Fong Man Fu Eric (appointed on 29 June 2017)
Poon Man Hong (resigned on 29 June 2017)

Remuneration Committee

Keung Kwok Hung *(Chairman)*
Leung Kam Fai
Fong Man Fu Eric (appointed on 29 June 2017)
Poon Man Hong (resigned on 29 June 2017)

Nomination Committee

Fong Man Fu Eric *(Chairman)* (appointed on 29 June 2017)
Keung Kwok Hung
Leung Kam Fai
Poon Man Hong *(Chairman)* (resigned on 29 June 2017)

Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Company has set up the Audit Committee on 13 March 2017 with written terms of reference of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control and risk management systems, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held one meeting on 28 June 2017 to review the final results of the Group for the year ended 31 March 2017, the significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors on 28 June 2017 without the presence of the executive Directors.

Remuneration Committee

The Company has set up the Remuneration Committee on 13 March 2017 with written terms of reference of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include determining/reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held one meeting on 28 June 2017 to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management and other related matters. The Remuneration Committee also considered the remuneration package of Mr. Fong Man Fu Eric, the new independent non-executive Director appointed on 29 June 2017 and made recommendations to the Board.

Details of the remuneration of the Directors and senior management are set out in the sections headed "Directors' Remuneration" and "Remuneration of the Senior Management" in this report.

Nomination Committee

The Company has set up the Nomination Committee on 13 March 2017 with written terms of reference of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy, including but not limited to skills, industry and regional experience, background, race, gender and other qualities etc. In forming its perspective on diversity, the Company will also take into account factors based on its own business model and specific needs from time to time. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee held one meeting on 28 June 2017 to review the composition of the Board and the independence of the independent non-executive Directors, to consider the qualifications of the retiring directors standing for election at the forthcoming annual general meeting of the Company to be held on Thursday, 7 September 2017 and to consider and recommend to the Board on the appointment of Mr. Fong Man Fu Eric as an independent non-executive Director. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the period from the Listing Date to the date of this annual report, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code by Directors and relevant employees, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Records of Directors

The attendance record of each Director at the Board and Board Committee meetings of the Company held during the period from the Listing Date and up to the date of this annual report is set out in the table below:

	Attendance/Number of Meetings			
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Leung Kam Fai	1/1	N/A	1/1	1/1
Lam Ka Ho	1/1	N/A	N/A	N/A
Keung Kwok Hung	1/1	1/1	1/1	1/1
Lau Suk Han Loretta	1/1	1/1	N/A	N/A
Poon Man Hong*	1/1	1/1	1/1	1/1
Fong Man Fu Eric#	N/A	N/A	N/A	N/A

* Resigned on 29 June 2017

\# Appointed on 29 June 2017

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of executive Directors on 28 June 2017.

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

One of the major functions of the Board is to maintain an adequate risk management and internal control systems to safeguard shareholders' investments and the Group's assets, and reviewing their effectiveness annually through the Audit Committee. The Audit Committee shall report to the Board on any material issues and makes recommendations to the Board.

The Group has maintained internal control guidance and procedures on the Group's operational cycles relating to revenue, purchase and expenditure, inventory and human resources etc., to ensure proper accounting records are kept so that reliable financial reporting can be provided, the effectiveness and efficiency of operation can be achieved, and the compliance with applicable laws and regulations and safeguarding of assets can be maintained. These procedures, together with the Company's compliance manual, have also shaped the control environment in which and how the Group operates, including the budgeting controls, investment decision making, risk assessment and practices of corporate governance. These systems are designed to provide reasonable protection against errors, losses and fraud.

The Company does not establish a standalone internal audit department, however, the Board has put in place adequate measures to perform the internal audit function at different aspects of the Group.

The Company has engaged Cheng & Cheng Limited to conduct an assessment on the effectiveness of the internal controls of the Group for its initial public offering in 2016. The Board has conducted a review of the effectiveness of the internal control system of the Group and is satisfied that the Group has complied with the CG Code in respect of internal control from the Listing Date to the date of this annual report. The internal control system is reviewed and assessed on an on-going basis by the executive Directors, and will be further reviewed and assessed at least once each year by the Board.

Monthly meetings were held between the executive Directors and senior management to review and monitor the business and financial performance against the targets, the progress of certification and contract receipts from the customers, the efficiency in the use of the Group's resources in comparison to the budgets, and the operational matters to ensure the Group has complied with the regulations that have material impact to the Group's business. The aim is to enhance the communication and accountability of the Directors and management so that significant strategic, financial, operational and compliance risks or potential deviations are timely identified and dealt with in a proper manner, while significant issues are reported back to the Board for their attention. The Company also compiles monthly reports to the Board to update the latest financial performance, position and prospects of the Group.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. While any potential inside information will be escalated to the executive meetings or the Board via the established reporting channels, the Directors will assess and determine if the inside information of the Company exists where timely disclosure is required to be made by way of an announcement published on the Stock Exchange website. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

The Group's aim is to run competitive business in Hong Kong. The Group has to comply with respective requirements and pass the regular reviews in order to retain its listing in the Development Bureau Approved Contractors for Public Works — Buildings Category, Approved Suppliers of Materials and Specialist Contractors for Public Works — Repair and Restoration of Historic Buildings Category and Approved Suppliers of Materials and Specialist Contractors for Public Works — Electrical Installation Category (Group II) (probation). The Group has also implemented a management system in accordance with the requirements under ISO 9001, ISO 14001 and OHSAS 18001 to ensure that the Group's services meet the requisite health and safety, quality and environmental requirements. During the Year, the Group passed the audits conducted by external consultants and renewed these certificates. Therefore, stringent ongoing controls and monitoring systems have already been embedded in the daily operations of the Group's business.

On 28 June 2017, the Board reviewed the effectiveness of the Group's risk management and internal control systems at its Board meeting including its financial, operational and compliance controls, and its risk management functions. The Board's review included a consideration of any significant deficiencies in internal control relevant to the audit that the external auditor identify during the audit. No material fraud or errors came to the attention of the Board from all these sources. Therefore, the Board considered that the risk management and internal control systems were effective and adequate during the Year and no significant weakness had been identified.

Directors' Remuneration

Directors' emoluments are determined with reference to Directors' duties, responsibilities and performance and the results of the Group. In addition, the Directors' remuneration is reviewed by the Remuneration Committee of the Company annually. Details of the Directors' remuneration are set out in note 33 to the consolidated financial statements.

Remuneration of the Senior Management

During the year ended 31 March 2017, the remuneration of senior management is listed below by band:

Band of remuneration (HK$)	Number of Person
HK$1,000,000 or below	5

Auditor's Remuneration

The remuneration paid or payable to PricewaterhouseCoopers, independent auditor of the Company, in respect of the audit services for the year ended 31 March 2017 amounted to HK$1.8 million.

The remuneration paid or payable to PricewaterhouseCoopers in respect of the non-audit services relating to the listing of the Company's shares on the Stock Exchange amounted to HK$5.2 million.

Directors' and Auditor's Responsibilities for the Financial Statements

The Directors acknowledge their responsibility for the preparation of financial statements for the year ended 31 March 2017 which give a true and fair view of the state of affairs of the Group. In preparing the financial statements which give a true and fair view, it is fundamental that the appropriate accounting policies are selected and applied consistently. The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 42 to 46 of this annual report. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

Company Secretary

The Company's company secretary, Mr. Wong Chi On, coordinates the supply of information to the Directors and is the primary contact person within the Company for all matters relating to the duties and responsibilities of the company secretary. All Directors have access to the company secretary to ensure that Board procedures and all applicable laws, rules and regulations are followed. During the year ended 31 March 2017, he had taken no less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules. For details of his biography, please refer to the section headed "Directors and Senior Management" of this annual report.

Shareholders' Rights

We seriously take care of the shareholders' interest to ensure that they are treated fairly and are able to exercise their shareholders' rights effectively. Shareholders are entitled by the Articles of Association and are also encouraged to participate in the Company's general meetings or appoint proxies to attend and vote. Shareholder(s) holding not less than 10% of the Company's paid-up capital having the right of voting at general meetings may request the Board to convene an extraordinary general meeting and put forward proposals. Such requisition should be made in writing to the Board or the company secretary for such purpose and should specify the objects of the meeting.

The Board is not aware of any provisions allowing the shareholders of the Company to put forward proposals at general meetings of the Company under the Articles of Association and the Companies Law of the Cayman Islands. Shareholders who wish to put forward proposals at general meetings may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

In case a shareholder wishes to nominate a person for election as director in a general meeting, the particulars of the candidate must be stated in a nomination notice signed and deposited together with a notice of willingness signed by the candidate to the company secretary at the Company's principal place of business (14/F, 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong) or at the Hong Kong branch share registrar and transfer office of the Company. The notice should be given at least seven days prior to the date of such general meeting.

Investor Relations

The Company is committed to maintaining effective and timely dissemination of the Group's information to its shareholders and the market. The annual shareholders' meetings of the Company are the primary forum for communication by the Company with its shareholders and for shareholder participation. At the annual general meeting of the Company, the Directors (or their delegates as appropriate) are available to meet shareholders and answer their equiries. In addition, the Company's website (http://milestone.hk) contains extensive company information which is easily accessible.

Constitutional Documents

The Company has adopted by a special resolution passed on 13 March 2017 an amended and restated memorandum and articles of association which has been effective upon the Listing Date.

There has been no change to the Company's constitutional documents since the Listing Date. An up-to-date version of the Company's memorandum and articles of association is available on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

Enquiries to the Board

Enquiries may be put to the Board through mail to the Company's principal place of business in Hong Kong at 14/F, 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong (email: msholdings@milestone.hk). For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

DIRECTORS' REPORT

The Board submits the Directors' Report together with the audited consolidated financial statements of the Group for the Year.

Principal Activities

The principal activity of the Company is investment holding. The Group provides (i) building construction services; (ii) alteration, addition, fitting-out works and building services; and (iii) repair and restoration of historic buildings in Hong Kong. The principal activities of the subsidiaries of the Company are set out in note 17 to the consolidated financial statements.

Business Review

The business review of the Group, with the description of the principal risks and uncertainties, for the Year and the likely future development, are included in the section headed "Management Discussion and Analysis" in this annual report on pages 6 to 16, which forms part of this report.

Group Reorganisation

The Company was incorporated in the Cayman Islands on 8 June 2016 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. In preparation of the Listing, the Group underwent the reorganisation pursuant to which the Company became the holding company of the subsidiaries now comprising the Group on 18 November 2016. For details of the Reorganisation, please refer to note 1.2 to the consolidated financial statements.

The Listing was completed on 7 April 2017.

Results and Dividends

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of comprehensive income on page 47 of this annual report.

Before the Listing and during the year ended 31 March 2017, Milestone Builder declared an interim dividend of HK$16,758,000 to its then shareholders as disclosed in note 27 to the consolidated financial statements.

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

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last four financial years is set out on page 112 of this annual report.

Properties

Details of the properties of the Group held for investment purposes are set out in note 13 to the consolidated financial statements.

Donations

Charitable and other donations made by the Group during the year ended 31 March 2017 amounted to HK$18,000.

Distributable Reserves

Distributable reserves of the Company as at 31 March 2017, calculated under the Companies Law (as revised) of the Cayman Islands, amounted to approximately HK$56.5 million (31 March 2016: no reserves available for distribution to our shareholders).

Movements of the reserves of the Group are set out in note 22 to the consolidated financial statements.

Details of the use of proceeds from the Listing are set out on pages 14 to 15 of this annual report.

Shares Issued during the Year

Details of the shares issued during the year ended 31 March 2017 are set out in note 21 to the consolidated financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities since the Listing Date up to the date of this annual report.

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.

Pursuant to the Scheme, the Company may grant options to any employees (including any executive director but excluding any non-executive director) and any directors (including non-executive and independent non-executive directors), any supplier, any customer, any shareholder, any advisor or consultant of the Group or any entity in which the Group holds at least 20% of its issued share capital (the "Invested Entity"), any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity and any other group or class of participants who the Board considers, in its sole discretion, have contributed or will contribute to the Group, to subscribe for shares in the Company in accordance with the terms of the Scheme. The options granted must be accepted within 21 days from the date of offer with a remittance of HK$1.00. The subscription price of a share shall be at least the highest of (i) the closing price of the Company's shares as stated in The Stock Exchange's daily quotations sheet on the date of an offer for the grant of the option (ii) the average of the closing prices of the shares of the Company as stated in The Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of an offer for the grant of the option; and (iii) the nominal value of the shares of the Company on the date of an offer for the grant of the option.

The share options granted are exercisable at any time during a period as the Directors may determine which shall not exceed 10 years from the date of an offer for the grant of the option, subject to the provisions for early termination contained in the Scheme, and provided that the Directors may determine the minimum period for which an option has to be held or other restrictions before its exercise.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not, in aggregate, exceed 10% of the number of shares of the Company in issue on the Listing Date (i.e. 80,000,000 shares). The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% in aggregate of the shares of the Company in issue. The maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time.

The Scheme will remain in force for a period of 10 years after the date of adoption.

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

Directors

The Directors during the Year and up to the date of this annual report were:

Executive Directors

Mr. Leung Kam Fai *(Chairman)*$^{\Delta}$
Mr. Lam Ka Ho$^{\Delta}$

Independent Non-Executive Directors

Mr. Keung Kwok Hung*
Ms. Lau Suk Han Loretta*
Mr. Poon Man Hong#
Mr. Fong Man Fu Eric^

Δ Appointed on 8 June 2016
* Appointed on 13 March 2017
# Appointed on 13 March 2017 and resigned on 29 June 2017
^ Appointed on 29 June 2017

Pursuant to Article 108 of the Articles of Association, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation at every annual general meeting of the Company provided that every Director (including those appointed for a specific item) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Further, pursuant to Article 112 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and shall be eligible for re-election at that meeting.

In accordance with Articles 108 and 112 of the Articles of Association, Mr. Leung Kam Fai and Mr. Lam Ka Ho, the executive Directors, and Mr. Fong Man Fu Eric, the independent non-executive Director, shall retire from office at the 2017 AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the 2017 AGM.

Details of the Directors standing for re-election at the 2017 AGM are set out in the circular to be despatched to the shareholders of the Company together with this annual report.

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out in the section headed "Directors and Senior Management" on pages 17 to 20 of this annual report.

Directors' Service Contracts

None of the Directors being proposed for re-election at the 2017 AGM has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Permitted Indemnity Provision

The Articles of Association provide that every Director shall be indemnified out of the assets of the Company against all losses and liabilities incurred or sustained by him as a Director in the execution of his duties or otherwise in relation thereto, provided that such indemnity shall not extend to any matter in respect of fraud or dishonesty which may attach to such Director. There is appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

Directors'/Controlling Shareholders' Material Interests in Transactions, Arrangements and Contracts that are Significant in Relation to the Group's Business

Save for transactions in connection with the Reorganisation in preparation for the Listing as disclosed in the Prospectus and save for disclosed elsewhere in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent companies was a party and in which a Director or controlling shareholders of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Disclosure of Interests

As at the date of this report, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules, were as follows:

(a) Directors' Interests in Shares, Underlying Shares and Debentures:

Name	Capacity/Nature of Interest	Number of shares held (Note 1)	Approximate percentage of the issued share capital of the Company
Mr. Leung Kam Fai	Beneficial owner (Note 2)	285,660,000 (L)	
	Person acting in concert (Note 2)	314,340,000 (L)	
		600,000,000 (L)	75.00%
Mr. Lam Ka Ho	Beneficial owner (Note 2)	285,660,000 (L)	
	Person acting in concert (Note 2)	314,340,000 (L)	
		600,000,000 (L)	75.00%

Notes:

1. The letter "L" denotes "long position" in such shares.

2. Mr. Leung Kam Fai, Mr. Lam Ka Ho, Mr. Leung Chin Hung Aaron and Mr. Lui Sum Wah are personally interested in 285,660,000 shares, 285,660,000 shares, 23,280,000 shares and 5,400,000 shares representing 35.71%, 35.71%, 2.91% and 0.68% of the total issued share capital of the Company. Pursuant to the Concert Party Deed dated 27 September 2016 executed by them, Mr. Leung Kam Fai, Mr. Lam Ka Ho, Mr. Leung Chin Hung Aaron and Mr. Lui Sum Wah are parties acting in concert (having the meaning ascribed to it under the Takeovers Code). As such, each of Mr. Leung Kam Fai, Mr. Lam Ka Ho, Mr. Leung Chin Hung Aaron and Mr. Lui Sum Wah is deemed to be interested in 600,000,000 shares held by them in aggregate under the SFO.

Save as disclosed above, as at the date of this report, neither the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Shareholders' Interests in Shares and Underlying Shares

So far as the Directors are aware, as at the date of this report the interests and short positions of the persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Capacity/Nature of Interest	Number of shares held (Note 1)	Approximate percentage of the issued share capital of the Company
Mr. Leung Chin Hung Aaron	Beneficial owner (Note 2)	23,280,000 (L)	
	Person acting in concert (Note 2)	576,720,000 (L)	
		600,000,000 (L)	75.00%
Mr. Lui Sum Wah	Beneficial owner (Note 2)	5,400,000 (L)	
	Person acting in concert (Note 2)	594,600,000 (L)	
		600,000,000 (L)	75.00%

Notes:

1. The letter "L" denotes "long position" in such shares.

2. Mr. Leung Kam Fai, Mr. Lam Ka Ho, Mr. Leung Chin Hung Aaron and Mr. Lui Sum Wah are personally interested in 285,660,000 shares, 285,660,000 shares, 23,280,000 shares and 5,400,000 shares representing 35.71%, 35.71%, 2.91% and 0.68% of the total issued share capital of the Company. Pursuant to the Concert Party Deed dated 27 September 2016 executed by them, Mr. Leung Kam Fai, Mr. Lam Ka Ho, Mr. Leung Chin Hung Aaron and Mr. Lui Sum Wah are parties acting in concert (having the meaning ascribed to it under the Takeovers Code). As such, each of Mr. Leung Kam Fai, Mr. Lam Ka Ho, Mr. Leung Chin Hung Aaron and Mr. Lui Sum Wah is deemed to be interested in 600,000,000 shares held by them in aggregate under the SFO.

The Company's controlling shareholders have not pledged all or part of their interest in the Company's shares to secure the Company and its subsidiaries' debts or to secure guarantees or other support of their obligations.

Save as disclosed above, as at the date of this report, the Directors are not aware of any other persons who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

Directors' Interests in Competing Business

During the Year and up to the date of this report, none of the Directors are considered to have interests in any business which competes or is likely to compete with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

Deed of Non-Competition

The controlling shareholders of the Company, namely Mr. Leung Kam Fai, Mr. Lam Ka Ho, Mr. Leung Chin Hung Aaron and Mr. Lui Sum Wah, have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under the Deed of Non-competition dated 16 March 2017.

Equity-linked Agreements

Save for the Scheme as set out in the section headed "Share Option Scheme" in this report, no equity-linked agreements that will or may result in the Company issuing shares nor require the Company to enter into an agreement that will or may result in the Company issuing shares was entered into by the Company during the Year or subsisted at the end of the Year.

Major Customers and Suppliers

During the year ended 31 March 2017, the Group's five largest customers in aggregate accounted for approximately 69.1% (31 March 2016: approximately 65.8%) of the Group's total revenue. The largest customer accounted for approximately 48.5% (31 March 2016: approximately 23.0%) of the Group's total revenue.

During the year ended 31 March 2016, the Group's five largest subcontractors in aggregate accounted for approximately 25.5% (31 March 2016: approximately 26.6%) of the Group's total sub-contracting fee. The largest sub-contractor accounted for approximately 6.3% (31 March 2016: approximately 7.2%) of the Group's total sub-contracting fee.

During the year ended 31 March 2016, the Group's five largest suppliers in aggregate accounted for approximately 28.6% (31 March 2016: approximately 37.4%) of the Group's total material costs. The largest supplier accounted for approximately 14.9% (31 March 2016: approximately 11.5%) of the Group's total material costs.

To the best of the knowledge of the Directors, none of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major customers, sub-contractors and suppliers.

Relationships with Customers, Suppliers and Employees

Customers

During the Year, we served public customers including the Government and quasi-Government entities as well as private companies. Generally, our projects are on contract by contract basis. We have established relationships with our customers. We believe that our quality is evidenced by the years of relationship between our Group and our customers and number of projects secured with repeated customers. Over 30 customers awarded us with more than one project which contributed to our revenue in the last four years and a number of such customers did business with us for over five years. The primary objective of our Group is to fulfil the needs of the customers by providing a quality services that meets both contractual and regulatory requirements, which we believe is also the reason of our success. To ensure that the quality of our works and that of our subcontractors conform to our customers' specifications, our Group has established a Quality Management System ("QMS") which is certified to be in compliance with the requirements of ISO 9001, for implementation in our offices. Our Directors believe that our Group's QMS shall help maintain the quality of our building services whilst allowing such quality to improve continuously.

Suppliers

The Group engage our construction materials suppliers and subcontractors on a contract by contract basis and therefore we have not entered into any long term agreements with our construction materials suppliers and subcontractors. We generally maintained multiple construction materials suppliers and subcontractors for products and services to avoid over-reliance on a single or a few suppliers and subcontractors. We select subcontractors and suppliers from our approved subcontractors and suppliers list based on their previous experience, skills, present work load, price quotations and historical work quality. We from time to time review and update our internal approved list of subcontractors and suppliers according to their performance assessment. The Directors consider that we have maintained good business relationships with these suppliers and subcontractors. During the year, we had no material shortage of the construction materials and we did not experience any material shortage or delay in the supply of materials or services that we required from our subcontractors.

Employees

The Group has established good relationship with our employees and we have no material non-compliance in respect of the applicable labour laws and regulations in Hong Kong. During the Year, we have not experienced any significant problems with our employees or disruption to its operations due to labour disputes nor has our Group experienced any difficulties in retention of experienced staff or skilled personnel.

Our Group offers attractive remuneration package to our employees, which includes basic salary, bonuses and other cash allowances or subsidies. Our Group determines the salary of our employees mainly based on their qualifications, relevant working experience, position and seniority. Our Group conducts annual review on the salary levels and promotions based on the working performance of each employees.

We believe that continuous education and training is important to maintain the service quality of our Group, so we intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. As part of the induction of new workers, they will receive training regarding construction site safety. Our Group also encourage relevant personnel to attend training courses to keep them up to date with the latest developments and best practices in the industry to enhance their work performance. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel is required to cope with our Group's business development.

Environmental Policies

Our Group's operation at construction sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control, water pollution control, waste disposal, environmental impact assessment and public health control. For details of the regulatory requirements, please refer to the section headed "Laws and Regulations" in the Prospectus. During the year ended 31 March 2017, the aggregate annual cost of compliance with applicable environmental laws and regulations in Hong Kong was approximately HK$798,000 (31 March 2016: HK$662,000) and primarily consisted of dumping charges for wasted materials.

It is the belief of our Directors that environmental protection is a management responsibility and our Group is committed to complying with the legal requirements and with other requirements relating to environmental aspects, prevention of pollution, reduction of construction waste and resources saving.

Our Group has recently obtained ISO14001:2004 in respect of our environmental management system. We require our employees and subcontractors to follow our environmental plan in order to ensure proper management of environmental protection and compliance with statutory requirements. Some of the measures include, among others:

Area	Measures	
Air pollution control	(i)	Any vehicle or item used on site will be monitored for spillages caused by leakage of fuel, lubrication or hydraulic system.
	(ii)	Cleaning of concrete and working areas will be carried out using wet vacuum or wash down methods to minimise dust.
	(iii)	Excessive exhaust emissions from mechanical equipment will result in prohibition of use.
Water pollution control	(i)	Waste water from any office, site canteen or toilet facilities are directed to foul sewer or to sewage treatment facilities either directly or indirectly by means of pumping.
	(ii)	Chemical wastes are stored in secured containers, undercover to prevent ingress of rainwater and where liquids are involved, storage areas shall be bund with sufficient capacity to contain projected spill quantities.
	(iii)	During periods of wet and muddy conditions, trucks and heavy vehicles shall not leave site unless effective wheel washing has been carried out.
Waste disposal	(i)	The common user disposal containers will be for the deposit of controlled waste (i.e. non-hazardous industrial or special waste) and will be situated in both the construction and site establishment areas.
	(ii)	Notice will be posted which clearly state which materials can or cannot be disposed of through the common user disposal skips.
	(iii)	Waste skips and other receptacles will be checked during the routine safety & environmental inspections/audits.

Compliance with Relevant Laws and Regulations

The Directors confirmed that during the Year and up to the date of this annual report, the Group had obtained all the necessary licenses, qualifications and certifications which are required to carry on our Group's activities, and were not in non-compliance with the applicable laws, rules and regulations, which is likely to have a material adverse impact on our business, prospects, financial condition or results of operation.

Related Party Transactions

The significant related party transactions entered into by the Group during the year ended 31 March 2017 is set out in note 31 to the consolidated financial statements.

Save as disclosed in the section headed "Continuing Connected Transactions" in this report, none of the related party transactions constitute a connected transaction (as defined in the Listing Rules) that is required to be disclosed.

Continuing Connected Transactions

The following transactions between certain connected persons (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules have been fully exempted.

Exempt continuing connected transactions under 14A.76(1) of the Listing Rules

1. Master Purchase Agreement

On 16 March 2017, the Company entered into a master purchase agreement (the "Master Purchase Agreement") with Spartan Construction Materials Limited. Spartan Construction Materials Limited is owned by Prime League Holdings Limited (of which each of Mr. Leung Kam Fai and Mr. Lam Ka Ho is interested in 50% of the issued share capital) as to 90% and by Mr. Lui Sum Wah as to 10%, respectively. Accordingly, Spartan Construction Materials Limited is a connected person of the Company for the purposes of the Listing Rules. Such transaction constitutes a continuing connected transaction for the Company under Rule 14A.31 of the Listing Rules upon the Listing. Details of the key terms of the Master Purchase Agreement are as follows:

Seller: Spartan Construction Materials Limited

Purchaser: the Company and its subsidiaries

Term: Commencing from the Listing Date to 31 March 2020

During the term of the Master Purchase Agreement, Spartan Construction Materials Limited shall supply and our Group shall purchase construction materials at the prices listed in the construction materials price lists (the "Price Lists") issued and updated from time to time by Spartan Construction Materials Limited to its customers in Hong Kong.

The proposed annual caps contemplated under the Master Purchase Agreement will be less than HK$3,000,000 for each of the three years ending 31 March 2020, respectively. The above proposed annual caps were determined based on the amount of purchase of construction materials by our Group from Spartan Construction Materials Limited during the last three financial years. The Directors (including the independent non-executive Directors) are of the view that entering into the Master Purchase Agreement is in the ordinary and usual course of business of the Group and in the interests of the shareholders of the Company as a whole and the terms therein are normal commercial terms and are fair and reasonable.

Since each of the relevant percentage ratios under the Listing Rules in respect of the total annual consideration of the transactions under the Master Purchase Agreement is expected to be less than 5% and the total annual consideration is expected to be less than HK$3 million, the transaction constitutes de minimis transaction under Rule 14A.76(1) which is fully exempt from the shareholders' approval, annual review and all disclosure requirements.

2. Lease between Milestone Builder and Spartan Construction Materials Limited

On 16 March 2017, Milestone Builder, a wholly-owned subsidiary of the Company, as lessor and Spartan Construction Materials Limited as lessee entered into a lease agreement for the leasing of a portion (with a floor area of 375 sq.ft.) of the property owned by Milestone Builder located at unit 4 on the third floor, Sun Fung Centre for a term of three years commencing from the Listing Date to 6 April 2020 at a monthly rent of HK$4,750 exclusive of rates, building management fee, and government rents (the "Lease Agreement").

The monthly rental paid or payable by Spartan Construction Materials Limited were determined after arm length's negotiations between the parties with reference to the then prevailing market conditions, the rental rate of similar properties in the vicinity and the floor area we lease. An independent property valuer has reviewed the Lease Agreement and confirmed that the rent payable under such lease agreement is fair and reasonable and is consistent with prevailing market rates for similar premises in similar locations.

The Lease Agreement continues after Listing. It is proposed that the annual cap for the rental payable under the Lease Agreement will be HK$57,000, HK$57,000 and HK$57,000 for each of the three years ending 31 March 2020. The annual caps were arrived at with reference to the actual rental payable under the Lease Agreement.

Since each of the relevant percentage ratios under the Listing Rules in respect of the annual rental of the transactions under the Lease Agreement is expected to be less than 5% and the total annual consideration is expected to be less than HK$3 million, the transaction constitutes de minimis transaction under Rule 14A.76(1) which is fully exempt from the shareholders' approval, annual review and all disclosure requirements.

Our Directors' Confirmation

The independent non-executive Directors, after reviewing the above agreements, confirm that the terms under the agreements are fair and reasonable and in the interests of the Company and its shareholders as a whole, and the agreements has been entered into as part of the Group's ordinary and usual course of business, on an arm's length basis by reference to prevailing market rates and upon normal commercial terms. The Directors also confirm that they obtained and reviewed an opinion from an independent valuer in respect of the rental fee of the Lease Agreement. The independent valuer is of the view that the rental fee is comparable to the prevailing market rates for similar premises in the vicinity.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules from the Listing Date and up to the date of this report.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 21 to 29.

Environmental, Social and Governance Report

The Environmental, Social and Governance Report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published within three months after the publication of this annual report on the websites of the Company and the Stock Exchange.

Events after the Reporting Period

Except from disclosed elsewhere in this annual report, there is no material subsequent event undertaken by the Company or by the Group after 31 March 2017 and up to the date of this annual report.

Auditor

The consolidated financial statements for the year ended 31 March 2017 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the 2017 AGM.

On behalf of the Board
Leung Kam Fai
Chairman

Hong Kong, 29 June 2017

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Milestone Builder Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Milestone Builder Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 47 to 111, which comprise:

- the consolidated balance sheet as at 31 March 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to the accounting for construction contracts.

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting for construction contracts Refer to Note 2.20 (a), Note 4(a), Note 4(b), Note 6 and Note 19 to the consolidated financial statements. For the year ended 31 March 2017, the Group recognised revenue and gross profit from construction contracts of HK$407,320,000 and HK$59,754,000 respectively. The amounts due from customers for contract works and amounts due to customers for contract works were HK$111,644,000 and HK$13,883,000 respectively as at 31 March 2017. The recognition of profit on construction contracts of the Group is based on the stage of completion of contract activity. Stage of completion is measured by reference to work performed up to the end of the reporting period as a percentage of total contract value, or the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Accordingly, the recognition of profit on construction contracts requires significant judgement and estimates of the forecast revenue and costs to complete by management, which also affects the amounts due from/to customers for contract works to be recognised in the consolidated balance sheet. Judgements are also applied to the assessment of the expected recovery of costs arising from variations to contract works requested by customers. Due to the significant judgements and estimates involved, specific audit focus was placed on this area.	We tested the key controls over determining the stage of completion, including the controls on estimating costs to complete and budgeted margin, progress billings to customers and progress payments of contract costs. We also focused our work on the following procedures to assess management's calculation for the accounting of a selection of material contracts within the Group: • We discussed with the Group's quantity surveyors and project managers the status of the projects, to identify material variations to the original plan of contract works, and understand the basis of how the expected recovery of variations and the provision for loss-making contracts were determined; • We obtained corroborative evidence, in relation to the discussion described above, by reviewing the approved project budgets and external architect's certificates, and comparing the budget costs against the actual costs incurred; • We inspected signed contracts with customers to check the total contract sum and terms; • We agreed the stage of completion to the external architects' certificates and quantity surveyors' latest valuation at the year end; • Where applicable, we inspected correspondence with the customers to obtain audit evidence on variations to contract works requested by customers, and discussed with project managers to understand the revisions made to the estimated costs as a result of the variations; and • We tested the arithmetical accuracy of management's calculations for the accounting of the contract revenue, costs and amounts due from/to customers of the selected construction contracts. We found that the key judgements and estimates used by management in the accounting for construction contracts are supported by the audit evidence available.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the financial highlights and the four-year financial summary (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the corporate information, the chairman's statement, the management discussion and analysis, the directors and senior management, the corporate governance report and the directors' report, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the corporate information, the chairman's statement, the management discussion and analysis, the directors and senior management, the corporate governance report and the directors' report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Wai Bong, Benson.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	Year ended 31 March 2017 HK$'000	2016 HK$'000
Revenue	6	**407,320**	361,427
Cost of sales	8	**(347,566)**	(307,146)
Gross profit		**59,754**	54,281
Other income	6	**828**	407
Other gains/(losses), net	7	**881**	(99)
Administrative expenses	8	**(46,581)**	(23,237)
Operating profit		**14,882**	31,352
Finance income	10	**81**	60
Finance costs	10	**(2,279)**	(1,760)
Finance costs, net		**(2,198)**	(1,700)
Profit before income tax		**12,684**	29,652
Income tax expenses	11	**(4,538)**	(5,344)
Profit and total comprehensive income attributable to equity holders of the Company		**8,146**	24,308
		HK cents	HK cents
Earnings per share for profit attributable to equity holders of the Company:			
Basic and diluted	12	**1.36**	4.05

The notes on pages 52 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2017

	Note	As at 31 March 2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Investment properties	13	**654**	—
Property, plant and equipment	14	**15,665**	14,075
Deferred income tax assets	26	**1,335**	199
Financial assets at fair value through profit or loss	16	**—**	10,696
Long-term deposits and prepayments	18	**660**	167
		18,314	25,137
Current assets			
Trade, retention and other receivables, deposits and prepayments	18	**92,343**	65,666
Amounts due from customers for contract works	19	**111,644**	50,619
Amounts due from related companies	31	**3,276**	3,541
Amounts due from shareholders	31	**—**	10,123
Current income tax recoverable		**4,583**	4,442
Pledged deposits	20(b)	**5,000**	500
Cash and cash equivalents (excluding bank overdrafts)	20(a)	**11,988**	11,544
		228,834	146,435
Total assets		**247,148**	171,572
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	21	**1**	—
Reserves	22	**49,618**	58,231
Total equity		**49,619**	58,231

The notes on pages 52 to 111 are an integral part of these consolidated financial statements.

	Note	As at 31 March 2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Obligations under finance leases	23	**1,131**	1,653
Deferred income tax liabilities	26	**897**	471
		2,028	2,124
Current liabilities			
Trade and other payables and accruals	24	**119,652**	62,245
Amounts due to customers for contract work	19	**13,883**	10,663
Amounts due to related companies	31	**10**	1,488
Current income tax payables		**—**	154
Borrowings	25	**60,820**	35,531
Current portion of obligations under finance leases	23	**1,136**	1,136
		195,501	111,217
Total liabilities		**197,529**	113,341
Total equity and liabilities		**247,148**	171,572

The consolidated financial statements on pages 47 to 111 were approved by the Board of Directors on 28 June 2017 and were signed on its behalf.

Leung Kam Fai
Executive Director

Lam Ka Ho
Executive Director

The notes on pages 52 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to equity holders of the Company			
	Share capital	Other reserves (Note 22)	Retained earnings	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2015	—	4,790	35,473	40,263
Comprehensive income				
Profit for the year	—	—	24,308	24,308
Total comprehensive income	—	—	24,308	24,308
Transactions with owners				
Dividends (Note 27)	—	—	(6,340)	(6,340)
Total transactions with owners, recognised directly in equity	—	—	(6,340)	(6,340)
Balance at 31 March 2016	—	4,790	53,441	58,231
Balance at 1 April 2016	—	4,790	53,441	58,231
Comprehensive income				
Profit for the year	—	—	8,146	8,146
Total comprehensive income	—	—	8,146	8,146
Transactions with owners				
Dividends (Note 27)	—	—	(16,758)	(16,758)
Issuance of shares (Note 21)	1	(1)	—	—
Total transactions with owners, recognised directly in equity	1	(1)	(16,758)	(16,758)
Balance at 31 March 2017	1	4,789	44,829	49,619

The notes on pages 52 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Note	Year ended 31 March 2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	28	**(7,611)**	17,650
Income tax paid		**(5,618)**	(9,570)
Income tax refund		**75**	—
Net cash (used in)/generated from operating activities		**(13,154)**	8,080
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,586)**	(1,442)
Proceeds from disposals of property, plant and equipment	28	**449**	—
Cash advances to shareholders		**(859)**	(3,677)
Interest received		**81**	60
Net cash used in investing activities		**(4,915)**	(5,059)
Cash flows from financing activities			
Interest paid for bank borrowings		**(2,147)**	(1,694)
Proceed from bank borrowings		**190,990**	60,881
Repayment of bank borrowings		**(164,379)**	(55,454)
Repayment of finance lease obligations		**(1,574)**	(1,063)
Increase in pledged deposits		**(4,500)**	—
Payment of listing expenses		**(4,334)**	—
Net cash generated from financing activities		**14,056**	2,670
Net (decrease)/increase in cash and cash equivalents		**(4,013)**	5,691
Cash and cash equivalents at beginning of the year		**7,228**	1,537
Cash and cash equivalents at end of year		**3,215**	7,228
Analysis of the bank balances of cash and cash equivalents			
Bank balances and cash	20	**11,988**	11,544
Bank overdrafts	25	**(8,773)**	(4,316)
		3,215	7,228

The notes on pages 52 to 111 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information, reorganisation and basis of presentation

1.1 General information of the Group

Milestone Builder Holdings Limited (the "Company") was incorporated in the Cayman Islands on 8 June 2016 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, the Cayman Islands.

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

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

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

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

1.2 Reorganisation

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

(i) Incorporation of the Company and intermediate holding companies

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

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

1 General information, reorganisation and basis of presentation (Continued)

1.2 Reorganisation (Continued)

(ii) Acquisition of the entire interests in Prime Builder

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

(iii) Acquisition of the entire interests in Milestone Builder

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

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

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

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

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

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

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

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

1 General information, reorganisation and basis of presentation (Continued)

1.2 Reorganisation (Continued)

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

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

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

1.3 Basis of presentation

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

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

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures

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

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

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

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

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

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

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

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

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

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

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.21. As at the reporting date, the Group has non-cancellable operating lease commitments, which are not reflected in the consolidated balance sheet, of HK$7,558,000, see Note 29(a).

The accounting for lessors will not significantly change.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

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

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

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Group's and the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and bank balances are presented in the consolidated statement of comprehensive income within "finance costs, net". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "other gains/(losses), net".

2 Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Land and buildings	Over the unexpired lease terms
Leasehold improvements	Shorter of remaining lease term or 4 years
Furniture and office equipment	4–5 years
Motor vehicles	3–4 years
Other equipment	2–4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses), net" in the consolidated statement of comprehensive income.

2.6 Investment properties

Property that is held for long-term yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. The cost of an investment property comprises its purchase price and any costs directly attributable to bringing the property to its intended use. After initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses.

Depreciation on investment properties is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Land and buildings	Over the unexpired lease terms

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

If an investment property becomes owner occupied, it is reclassified as property, plant and equipment.

When an owner-occupied property becomes an investment property carried at cost because of change in use, its cost and carrying value as at the date of the change are transferred from property, plant and equipment to investment properties.

2 Summary of significant accounting policies (Continued)

2.7 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

The Group acquired certain key management insurance contracts, which include both investment and insurance elements. The investments insurance contracts are initially recognised at the amount of the premium paid and subsequently carried at fair values at each balance sheet date, with changes in fair values recognised in profit or loss.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade, retention and other receivables and deposits", "amounts due from related companies", "amounts due from shareholders", "pledged deposits" and "cash and cash equivalents (excluding bank overdrafts)" in the consolidated balance sheet.

2 Summary of significant accounting policies (Continued)

2.8 Financial assets (Continued)

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair values plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair values, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated statement of comprehensive income within "other gains/(losses), net" in the period in which they arise.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Impairment of financial assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

2 Summary of significant accounting policies (Continued)

2.10 Impairment of financial assets carried at amortised cost (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within "borrowings" in current liabilities.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair values, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 Summary of significant accounting policies (Continued)

2.16 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the year in which they are incurred.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 Summary of significant accounting policies (Continued)

2.17 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences (Continued)

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(a) Retirement benefit obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Pension Scheme") set up pursuant to the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the Pension Scheme. The assets of the Pension Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed to the Pension Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to vesting fully in the contributions, in accordance with the rules of the Pension Scheme.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 Summary of significant accounting policies (Continued)

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Revenue from construction contract

A construction contract is defined in HKAS 11 "Construction Contracts", as a contract specifically negotiated for the construction of an asset.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, revenue from construction contract is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as a cost of sales by reference to the stage of completion of the contract activity at the end of the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of completion" method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to work performed up to the balance sheet date as a percentage of total contract value, or the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

2 Summary of significant accounting policies (Continued)

2.20 Revenue recognition (Continued)

(a) Revenue from construction contract (Continued)

On the consolidated balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case. Progress billings not yet paid by customers and retention receivables are included in current assets as the Group expects to realise these within its normal operating cycle.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental income

Rental income is recognised in the consolidated statement of comprehensive income on a straight-line basis over the terms of the leases.

2.21 Leases

The Group as lessee

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(b) Finance lease

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in "obligations under finance leases". The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

The Group as lessor

(a) Operating lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Amounts received from lessees under operating leases (net of any incentives grant to the lessee) are recognised in consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2 Summary of significant accounting policies (Continued)

2.22 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow and fair value interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a finance department headed by the financial controller of the Group (the "Finance Department"). The Finance Department identifies and evaluates financial risks in close co-operation within the Group to cope with overall risk management, as well as specific areas, such as cash flow and fair value interest rate risk, foreign currency risk, credit risk and liquidity risk.

(a) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk primarily arises from borrowings.

As at 31 March 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year and retained earnings by approximately HK$49,000 (2016: HK$170,000).

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Foreign currency risk

Most of the income and expenditures of the Group are denominated in HK$, being the functional currency of the Company and the Group's subsidiaries and hence, the Group does not have any material foreign exchange exposure. The Group has not implemented or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations for the year under review. As at 31 March 2017, the Group did not have any outstanding hedging instruments (2016: same).

(c) Credit risk

The credit risk of the Group mainly arises from trade, retention and other receivables and deposits, amounts due from related companies and bank balances.

Management considers the Group has limited credit risk with its banks which are leading and reputable and are assessed as having low credit risk. Majority of bank balances are deposited with reputable banks. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group is exposed to concentration of credit risk as at 31 March 2017 on trade receivables from the Group's top five customers amounting to approximately HK$48,168,000 (2016: HK$22,169,000), and accounted for 86% (2016: 63%) of the total trade receivables balance. The major customers of the Group are reputable organisations. Management considers that the credit risk is limited in this regard.

For the amounts due from related parties, the Group has policies in place to monitor the credit exposure of the related parties. The Group will assess the financial capabilities of the related parties including their repayment histories and financial conditions. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. Management is of the opinion that the risk of default by the related parties is low.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term.

As at 31 March 2017, the Group held net cash and cash equivalents of HK$3,215,000 (2016: HK$7,228,000), that are expected to be readily available to generate cash inflows for managing liquidity risk.

The Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate and external financing including borrowings are also considered by the Group in its capital structuring. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

As at 31 March 2017, the Group's total available banking facilities amounted to approximately HK$87,105,000 (2016: HK$67,139,000), of which approximately HK$79,970,000 (2016: HK$46,372,000), has been utilised.

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balance within 12 months equal their carrying balances as impact from discounting is not significant.

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lender were to invoke their unconditional rights to call the loans with immediate effect.

	On demand HK$'000	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
As at 31 March 2017						
Trade and other payables and accruals	—	117,204	—	—	—	117,204
Amounts due to related companies	10	—	—	—	—	10
Borrowings:						
— principal portion	60,820	—	—	—	—	60,820
Obligations under finance leases	—	1,214	799	374	—	2,387
	60,830	118,418	799	374	—	180,421

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

	On demand HK$'000	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
As at 31 March 2016						
Trade and other payables and accruals	—	62,020	—	—	—	62,020
Amounts due to related companies	1,488	—	—	—	—	1,488
Borrowings:						
— principal portion	35,531	—	—	—	—	35,531
Obligations under finance leases	—	1,233	1,033	787	—	3,053
	37,019	63,253	1,033	787	—	102,092

The table below analyses the bank borrowings of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date without taking into consideration the effect of repayment on demand clause.

	Within 1 year HK$'000	**Between 1 and 2 years HK$'000**	**Between 2 and 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
As at 31 March 2017					
Borrowings:					
— principal portion	**56,532**	**1,732**	**2,556**	**—**	**60,820**
— interest portion	**626**	**164**	**134**	**—**	**924**
	57,158	**1,896**	**2,690**	**—**	**61,744**
As at 31 March 2016					
Borrowings:					
— principal portion	23,927	1,715	8,664	1,225	35,531
— interest portion	629	376	391	117	1,513
	24,556	2,091	9,055	1,342	37,044

3 Financial risk management (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including obligations under finance leases) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

As at 31 March 2016 and 2017, the gearing ratios were as follows:

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Obligation under finance leases (Note 23)	**2,267**	2,789
Borrowings (Note 25)	**60,820**	35,531
Less: cash and cash equivalents (excluding bank overdrafts) (Note 20)	**(11,988)**	(11,544)
Net debt	**51,099**	26,776
Total equity	**49,619**	58,231
Total capital	**100,718**	85,007
Gearing ratio	**51%**	31%

3.3 Fair value estimation

The carrying amounts of the Group's financial assets including "trade, retention and other receivables and deposits", "amounts due from related companies", "amounts due from shareholders", "pledged deposits" and "cash and cash equivalents (excluding bank overdrafts)"; and financial liabilities including "trade and other payables and accruals", "amounts due to related companies", "borrowings" and "obligations under finance leases" approximate their fair values due to their short maturities. The fair values of financial instruments that are not traded in an active market is determined by using valuation techniques.

As at 31 March 2017, the Group has no financial assets and liabilities that are measured at fair value.

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2016.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 March 2016				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted insurance policy investments	—	—	10,696	10,696

There were no transfers among levels 1, 2 and 3 during the year ended 31 March 2017 (2016: same).

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

The following table represents the changes in level 3 instruments for the years ended 31 March 2016 and 2017.

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
At beginning of the year	**10,696**	10,795
Fair value gain/(loss) on revaluation recognised in the consolidated statement of comprehensive income	**859**	(99)
Distribution in kind	**(11,555)**	—
At end of the year	**—**	10,696
Total loss for the year included in the consolidated statement of comprehensive income for assets held at the end of the year	**—**	(99)
Changes in unrealised loss for the year included in the consolidated statement of comprehensive income at the end of the year	**—**	(99)

These unlisted insurance policy investments in level 3 represent key management insurance contracts. Their fair value is determined by income approach with reference to the expected returns from such policies which are primarily based on the financial performance and market price of the underlying portfolio taking into consideration the respective guaranteed minimum returns. Consideration is also placed on the pattern of crystalising the contracts and surrender charges, if any.

Management estimated the impact of a reasonable change in the unobservable inputs based on valuation performed by an independent qualified actuary.

As at 31 March 2016, it is estimated that a general increase/decrease of 50 basis points in discount rates, with all other variables held constant, would decrease/increase the Group's profit for the year and retained earnings by approximately HK$486,000/HK$571,000. During the year ended 31 March 2017, all level 3 instruments have been distributed to the then shareholders (Note 27).

4 Critical accounting estimates and judgement

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Percentage of completion of construction works

The Group recognises its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value, or the percentage of the contract cost incurred up to date of the individual contract of construction works as a percentage of total estimated cost. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

(b) Estimation of foreseeable losses in respect of construction works

The Group's management estimates the amount of foreseeable losses of construction works based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise subcontracting charges and costs of materials are prepared by management on the basis of quotations provided by the major contractors, suppliers and vendors involved, and the experience of the management. Management conducts periodic review on the management budgets by reviewing the actual amounts incurred. Items that will subject to significant variances and impact the amount of provision of foreseeable losses of construction contracts include the changes in estimations or the actual costs incurred for materials, staff costs, the amount of variation orders and claims as compared to management's budget.

5 Segment information

The chief operating decision-makers have been identified as the executive directors of the Company. The executive directors consider the segment from a business perspective. As the Group has only one operating segment that qualifies as reporting segment under HKFRS 8 and the information that is regularly reviewed by the executive directors for the purposes of allocating resources and assessing performance of the operating segment is the consolidated financial statements of the Group, no separate segmental analysis is presented.

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

Revenue reported in Note 6 below represented transactions with third parties and are reported to the executive directors in a manner consistent with that in the consolidated statement of comprehensive income.

5 Segment information (Continued)

All of the Group's activities are carried out in Hong Kong and all of the Group's assets and liabilities are located in Hong Kong. Accordingly, no analysis by geographical basis for the year is presented.

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

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

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

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

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

6 Revenue and other income

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

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

7 Other gains/(losses), net

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Gains on disposals of property, plant and equipment (Note 28)	**22**	—
Fair value gain/(loss) on financial assets at fair value through profit or loss (Note 16)	**859**	(99)
	881	(99)

8 Expenses by nature

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

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Construction cost recognised in cost of sales	**347,278**	306,984
Auditor's remuneration		
— Audit services	**1,800**	190
— Non-audit services	**—**	—
Depreciation of property, plant and equipment (Note 14)	**2,846**	2,440
Employee benefit expenses recognised in administrative expenses (including directors' emoluments) (Note 9)	**15,724**	10,847
Operating lease rentals in respect of car parking spaces, office premises and warehouses	**1,596**	749
Entertainment expenses	**1,375**	1,306
Staff welfare and messing	**588**	161
Donations	**12**	30
Motor vehicle expenses	**1,666**	1,351
Bank charges	**1,038**	481
Office expenses	**839**	838
Listing expenses	**15,440**	2,985
Others	**3,945**	2,021
Total cost of sales and administrative expenses	**394,147**	330,383

9 Employee benefit expenses

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Wages, salaries and benefits in kind (including directors' emoluments)	**103,264**	57,964
Bonuses	**6,110**	5,100
Retirement benefit costs — defined contribution plans	**4,003**	2,469
	113,377	65,533
Less: amounts included in construction contracts costs or capitalised in work-in-progress	**(97,653)**	(54,686)
Amounts included in administrative expenses	**15,724**	10,847

Five highest paid individuals

For the year ended 31 March 2017, the five individuals whose emoluments were the highest in the Group include 2 (2016: 2) directors, whose emolument is reflected in the analysis in Note 33. The emoluments paid/payable to the remaining 3 (2016: 3) individuals during the years ended 31 March 2016 and 2017 are as follows:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Wages, salaries and benefits in kind	**2,292**	1,721
Bonuses	**460**	561
Retirement benefit costs — defined contribution plans	**54**	54
	2,806	2,336

The emoluments of the highest paid individuals fell within the following bands:

	Year ended 31 March Number of individuals	
	2017	2016
Emolument band		
Nil to HK$1,000,000	**3**	3

During the years ended 31 March 2016 and 2017, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 Finance income and costs

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Interest income:		
— Bank interest income	**81**	60
Finance income	**81**	60
Interest expenses:		
— Borrowings	**(2,147)**	(1,694)
— Obligations under finance lease	**(121)**	(86)
Foreign exchange (losses)/gains, net	**(11)**	20
Finance costs	**(2,279)**	(1,760)
Finance costs, net	**(2,198)**	(1,700)

11 Income tax expenses

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

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

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Current tax:		
Hong Kong profits tax on profits for the year	**5,248**	5,429
Deferred tax (Note 26)	**(710)**	(85)
Income tax expenses	**4,538**	5,344

11 Income tax expenses (Continued)

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

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

12 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed on 18 November 2016 and the Capitalisation Shares (as defined in Note 21) which took place on 7 April 2017.

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

(b) Diluted

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

13 Investment properties

	HK$000
Year ended 31 March 2017	
Opening net book amount	—
Transfer from property, plant and equipment (Note 14)	654
Closing net book amount	654
Balance at 31 March 2017	
Cost	756
Accumulated depreciation	(102)
Net book amount	654
Fair value (Note)	1,564

Note:

The investment properties located at Unit 4, 3/F, Sun Fung Centre, No. 88 Kwok Shui Road, Tsuen Wan, New Territories, Hong Kong. The fair value as at 31 March 2017 was assessed by an independent and professionally qualified valuer, PSA (HK) Surveyors Limited.

All depreciation expense during the year has been charged to administrative expenses.

As at 31 March 2017, the Group's investment properties with net carrying value of to HK$654,000 were pledged as collateral for the Group's bank borrowings, details of which are set out in Note 25.

During the year ended 31 March 2017, property, plant and equipment of HK$654,000 has been reclassified to investment properties as a result of change in usage.

14 Property, plant and equipment

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Other equipment HK$'000	Total HK$'000
Balance at 1 April 2015						
Cost	9,270	1,726	1,425	3,892	449	16,762
Accumulated depreciation	(830)	(432)	(894)	(1,406)	(159)	(3,721)
Net book amount	8,440	1,294	531	2,486	290	13,041
Year ended 31 March 2016						
Opening net book amount	8,440	1,294	531	2,486	290	13,041
Additions	—	—	631	2,172	671	3,474
Depreciation (Note 8)	(250)	(432)	(360)	(1,236)	(162)	(2,440)
Closing net book amount	8,190	862	802	3,422	799	14,075
Balance at 31 March 2016						
Cost	9,270	1,726	2,056	6,064	1,120	20,236
Accumulated depreciation	(1,080)	(864)	(1,254)	(2,642)	(321)	(6,161)
Net book amount	8,190	862	802	3,422	799	14,075
Year ended 31 March 2017						
Opening net book amount	**8,190**	**862**	**802**	**3,422**	**799**	**14,075**
Additions	**—**	**2,504**	**705**	**2,244**	**64**	**5,517**
Transfer to investment properties (Note 13)	**(654)**	**—**	**—**	**—**	**—**	**(654)**
Disposals (Note 28)	**—**	**—**	**—**	**(427)**	**—**	**(427)**
Depreciation (Note 8)	**(250)**	**(574)**	**(376)**	**(1,358)**	**(288)**	**(2,846)**
Closing net book amount	**7,286**	**2,792**	**1,131**	**3,881**	**575**	**15,665**
Balance at 31 March 2017						
Cost	**8,514**	**4,230**	**2,761**	**7,547**	**1,184**	**24,236**
Accumulated depreciation	**(1,228)**	**(1,438)**	**(1,630)**	**(3,666)**	**(609)**	**(8,571)**
Net book amount	**7,286**	**2,792**	**1,131**	**3,881**	**575**	**15,665**

Note: During the year ended 31 March 2017, property, plant and equipment of HK$654,000 has been reclassified to investment properties as a result of change in usage.

14 Property, plant and equipment (Continued)

Depreciation were included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 March	
	2017 HK$'000	2016 HK$'000
Cost of sales	**288**	162
Administrative expenses	**2,558**	2,278
	2,846	2,440

The Group leases various motor vehicles and other equipment under non-cancellable finance lease agreements. As at 31 March 2017, the original lease terms are 3 to 4 years (2016: 2 to 4 years) and ownership of the assets belong to the Group (2016: same). As at 31 March 2017, motor vehicles and other equipment of the Group with net carrying value of HK$2,595,000 (2016: HK$3,350,000), were held under finance leases.

As at 31 March 2017, the Group's land and buildings with net carrying value of HK$7,286,000 (2016: HK$8,190,000), were pledged as collateral for the Group's bank borrowings, details of which are set out in Note 25.

15 Financial instruments by category

	Loans and receivables HK$'000
As at 31 March 2017	
Assets as per consolidated balance sheet	
Trade, retention and other receivables and deposits	87,154
Amounts due from related companies	3,276
Pledged deposits	5,000
Cash and cash equivalents (excluding bank overdrafts)	11,988
Total	107,418

15 Financial instruments by category (Continued)

	Financial liabilities at amortised cost HK$'000
As at 31 March 2017	
Liabilities as per consolidated balance sheet	
Trade and other payables and accruals	117,204
Amounts due to related companies	10
Borrowings	60,820
Obligations under finance leases	2,267
Total	180,301

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
As at 31 March 2016			
Assets as per consolidated balance sheet			
Financial assets at fair value through profit or loss	—	10,696	10,696
Trade, retention and other receivables and deposits	64,222	—	64,222
Amounts due from related companies	3,541	—	3,541
Amounts due from shareholders	10,123	—	10,123
Pledged deposits	500	—	500
Cash and cash equivalents (excluding bank overdrafts)	11,544	—	11,544
Total	89,930	10,696	100,626

	Financial liabilities at amortised cost HK$'000
As at 31 March 2016	
Liabilities as per consolidated balance sheet	
Trade and other payables and accruals	62,020
Amounts due to related companies	1,488
Borrowings	35,531
Obligations under finance leases	2,789
Total	101,828

16 Financial assets at fair value through profit or loss

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Unlisted investments:		
Key management insurance contracts	**–**	10,696

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
At beginning of the year	**10,696**	10,795
Fair value gain/(loss) in the consolidated statement of comprehensive income	**859**	(99)
Distribution in kind (Note 27)	**(11,555)**	–
At end of the year	**–**	10,696

Fair value gain or loss on financial assets at fair value through profit or loss was included in "other gains/(losses), net" (Note 7).

On the date of distribution and as at 31 March 2016, the valuation of the fair values of the key management insurance contracts were performed by International Valuation Limited, an independent qualified actuary, by applying the income approach.

17 Subsidiaries

The following is a list of the principal subsidiaries at 31 March 2017:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Proportion of ordinary shares directly held by the Group
Milestone Builder Engineering Limited	Hong Kong, limited liability company	Provision of general building works and specialist building works, Hong Kong	4,200,000 ordinary shares HK$4,200,000	100%
Prime Builder Engineering Limited	Hong Kong, limited liability company	Provision of general building works and specialist building works, Hong Kong	8,000 ordinary shares HK$8,000	100%
Milestone Specialty Engineering Limited	Hong Kong, limited liability company	Engineering and construction sub-contracting, Hong Kong	20,000 ordinary shares HK$20,000	100%
Speedy Engineering & Trading Company Limited	Hong Kong, limited liability company	Provision of engineering services, Hong Kong	570,000 ordinary shares HK$570,000	100%

18 Trade, retention and other receivables, deposits and prepayments

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

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

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

18 Trade, retention and other receivables, deposits and prepayments (Continued)

(a) Trade receivables

The Group's credit terms to trade debtors other than retention receivables are generally 30 days. The ageing analysis of the trade receivables, based on invoice date, is as follows:

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

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

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

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

18 Trade, retention and other receivables, deposits and prepayments (Continued)

(b) Retention receivables

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

	As at 31 March	
	2017 HK$'000	2016 HK$'000
Will be recovered within twelve months	**16,840**	20,683
Will be recovered more than twelve months after the end of the year	**9,137**	2,777
	25,977	23,460

The Group does not hold any collateral as security.

19 Amounts due from/(to) customers for contract works

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

20 Cash and bank balances

(a) Cash and cash equivalents

	As at 31 March	
	2017 HK$'000	2016 HK$'000
Cash at bank	**11,202**	10,816
Cash on hand	**296**	242
Time deposit with original maturity of less than 3 months	**490**	486
Cash and cash equivalents (excluding bank overdrafts)	**11,988**	11,544

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	As at 31 March	
	2017 HK$'000	2016 HK$'000
HK$	**11,210**	10,748
Australian dollars	**490**	486
US$	**21**	26
Euro	**266**	283
Others currencies	**1**	1
	11,988	11,544

Cash and cash equivalents and bank overdrafts include the following for the purposes of the consolidated statement of cash flows:

	As at 31 March	
	2017 HK$'000	2016 HK$'000
Cash and cash equivalents (excluding bank overdrafts) in the consolidated balance sheet	**11,988**	11,544
Less: bank overdrafts (Note 25)	**(8,773)**	(4,316)
Net cash and cash equivalents in the consolidated statement of cash flows	**3,215**	7,228

The bank balances generate interest at prevailing market interest rates.

(b) Pledged deposits

As at 31 March 2017, deposits with carrying value of HK$5,000,000 (2016: HK$500,000), were pledged to the facilities granted by bank to the Group, details of which are set out in Note 25.

21 Share capital

	No. of shares	HK'000
Authorised:		
At 8 June 2016 (date of incorporation), at HK$0.1 each	3,800,000	380
Increase in authorised shares	1,996,200,000	199,620
At 31 March 2017, at HK$0.1 each	2,000,000,000	200,000
Issued and fully paid:		
At 8 June 2016 (date of incorporation)	1	—
Shares issued pursuant to the Reorganisation (Note 1.2)	9,999	1
At 31 March 2017	10,000	1

On 13 March 2017, the authorised share capital of the Company was increased from HK$380,000 to HK$200,000,000 by the creation of an additional 1,996,200,000 shares of HK$0.10 each.

By a shareholder's written resolution dated 13 March 2017 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed offering of the Company's shares, the Company will issue additional 599,990,000 shares (the "Capitalisation Shares"), credited as fully paid, to the Controlling Shareholders of the Company, by way of capitalisation of HK$59,999,000 standing to the credit of the Company's share premium account.

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

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

(a) Share options of the Company

The Company operates a share option scheme (the "Scheme") for the purpose of recognising and motivating the contributions that the eligible participants have made or may make to the Group. Eligible participants of the Scheme include but not limited to the Group's employees and Executive and non-Executive Directors. The Scheme has been conditionally approved and adopted on 13 March 2017 and unless otherwise cancelled or amended, will remain valid and effective for a period of 10 years from that date. No share options have been granted, exercised or cancelled under the Scheme since its adoption date.

22 Reserves

The reserves movement of the Group is as follows:

	Other reserves (Note) HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2015	4,790	35,473	40,263
Comprehensive income			
Profit for the year	—	24,308	24,308
Total comprehensive income	—	24,308	24,308
Transactions with owners			
Dividends (Note 27)	—	(6,340)	(6,340)
Total transactions with owners, recognised directly in equity	—	(6,340)	(6,340)
Balance at 31 March 2016	4,790	53,441	58,231
Balance at 1 April 2016	4,790	53,441	58,231
Comprehensive income			
Profit for the year	—	8,146	8,146
Total comprehensive income	—	8,146	8,146
Transactions with owners			
Dividends (Note 27)	—	(16,758)	(16,758)
Issuance of shares (Note 21)	(1)	—	(1)
Total transactions with owners, recognised directly in equity	(1)	(16,758)	(16,759)
Balance at 31 March 2017	4,789	44,829	49,618

Note: Other reserves of the Group represented the difference between the share capital of the subsidiaries acquired pursuant to the Reorganisation over nominal value of the share capital of the Company issued in exchange thereof.

23 Obligations under finance leases

The rights to the leased asset are reverted to the lessor in the event of default of the lease liabilities by the Group.

	Minimum lease payments As at 31 March	
	2017	2016
	HK$'000	HK$'000
Within one year	**1,214**	1,233
After 1 year but within 2 years	**799**	1,033
After 2 years but within 5 years	**374**	787
	2,387	3,053
Less: future finance charges	**(120)**	(264)
Present value of obligations under finance leases	**2,267**	2,789

The obligations under finance leases are analysed in the consolidated balance sheet as follows:

	Present value of minimum lease payments As at 31 March	
	2017	2016
	HK$'000	HK$'000
Within one year	**1,136**	1,136
After 1 year but within 2 years	**764**	980
After 2 years but within 5 years	**367**	673
	2,267	2,789

The Group leases certain of its property, plant and equipment under finance leases. The original lease term entered by the Group for the leases outstanding as at 31 March 2017 are ranged from 3 to 4 years (2016: ranged from 2 to 4 years). The interest rate of each lease contract is fixed at its contract date, and the interest rates of all the obligations under finance leases ranged from 2.9% to 6.6% per annum as at 31 March 2017 (2016: 2.9% to 6.2% per annum).

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

24 Trade and other payables and accruals

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

Trade and bills payables and other payables and accruals approximate their fair values and are denominated in HK$.

(a) Trade payables

Credit terms granted to us by our suppliers and subcontractors vary from contract to contract. Our suppliers and subcontractors, on average, grant us a credit period of mostly 30 days to 60 days upon the issue of an invoice.

The ageing analysis of the trade payables, based on invoice date, is as follows:

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

(b) Bills payables

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

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

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

24 Trade and other payables and accruals (Continued)

(c) Other payables and accruals

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

25 Borrowings

	As at 31 March	
	2017 HK$'000	2016 HK$'000
Bank borrowings	**52,047**	31,215
Bank overdrafts (Note 20)	**8,773**	4,316
	60,820	35,531

The Group's borrowings were repayable as follows:

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

Bank borrowings due for repayment after one year which contain a repayment on demand clause are classified as current liabilities.

25 Borrowings (Continued)

Bank borrowings due for repayment, based on the scheduled repayment dates set out in the loan agreements and without taking into account the effect of any repayment on demand clause are as follows:

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

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

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

(b) Pledged deposits of HK$5,000,000 (2016: HK$500,000) (Note 20 (b));

(c) Financial assets at fair value through profit or loss amounting to HK$10,696,000 as at 31 March 2016 which have been assigned to the shareholders and the pledge has been released on 14 December 2016 (Notes 16 and 27);

(d) The Group's land and buildings amounting to HK$7,940,000 (2016: HK$8,190,000) (Notes 13 and 14);

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

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

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

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

The carrying amounts of bank borrowings approximate their fair values.

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

25 Borrowings (Continued)

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

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

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

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

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

26 Deferred income tax

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Deferred income tax assets:		
Recoverable after more than 12 months	**1,335**	199
Deferred income tax liabilities:		
Recoverable after more than 12 months	**(897)**	(471)

The gross movement on the deferred income tax account is as follows:

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
At beginning of the year	**(272)**	(357)
Credited to consolidated statement of comprehensive income	**710**	85
At end of the year	**438**	(272)

26 Deferred income tax (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Accelerated tax depreciation HK$'000	Others HK$'000	Total HK$'000
At 1 April 2015	(284)	(100)	(384)
(Charged)/credited to the consolidated statement of comprehensive income	(187)	100	(87)
At 31 March 2016	(471)	—	(471)
At 1 April 2016	(471)	—	(471)
Charged to the consolidated statement of comprehensive income	(78)	(348)	(426)
At 31 March 2017	(549)	(348)	(897)

Deferred tax assets	Tax losses HK$'000	Decelerated tax depreciation HK$'000	Others HK$'000	Total HK$'000
At 1 April 2015	–	27	—	27
Credited to the consolidated statement of comprehensive income	–	24	148	172
At 31 March 2016	–	51	148	199
At 1 April 2016	–	51	148	199
Credited (Charged) to the consolidated statement of comprehensive income	**1,277**	7	(148)	1,136
At 31 March 2017	**1,277**	58	—	1,335

As at 31 March 2016 and 2017, the Group did not have any significant unrecognised deferred tax.

27 Dividends

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

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

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

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

28 Notes to the consolidated statement of cash flows

Reconciliation of profit before income tax to net cash (used in)/generated from operations

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Cash flows from operating activities		
Profit before income tax	**12,684**	29,652
Adjustments for:		
Finance income	**(81)**	(60)
Finance costs	**2,268**	1,780
Gains on disposals of property, plant and equipment	**(22)**	—
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(859)**	99
Depreciation of property, plant and equipment	**2,846**	2,440
	16,836	33,911
Changes in working capital:		
Trade and retention receivables	**(23,524)**	(98)
Prepayments, deposits and other receivables	**688**	(3,603)
Amounts due from/to customers for contract works, net	**(57,805)**	(17,723)
Amounts due from related companies	**265**	11
Trade payables	**28,529**	7,586
Accruals and other payables	**28,878**	(1,586)
Amounts due to related companies	**(1,478)**	(848)
Net cash (used in)/generated from operations	**(7,611)**	17,650

28 Notes to the consolidated statement of cash flows (Continued)

In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Net book amount	**427**	—
Gains on disposals of property, plant and equipment	**22**	—
Proceeds from disposals of property, plant and equipment	**449**	—

Non-cash transactions

(i) The dividend of HK$16,758,000, of which HK$10,982,000 has been set off against the then amounts due from shareholders during the year ended 31 March 2017. The remaining dividend payable of HK$5,776,000 has been dealt with by way of assigning the Group's financial assets at fair value through profit or loss (amounted to HK$11,555,000); and related bank borrowings (amounted to HK$5,779,000) against which these financial assets has been pledged, to the shareholders (Note 27).

(ii) The dividend of HK$6,340,000 has been settled through offsetting with the amounts due from shareholders for the year ended 31 March 2016.

29 Commitments

(a) Operating lease commitments — Group company as lessee

The Group leases car parking spaces, office premises and warehouses under non-cancellable operating lease agreements. The lease terms are ranged from 2 to 3 years and the lease arrangements are renewable at the end of the lease period at market rate. The lease expenditure charged to the consolidated statement of comprehensive income during the year is included in Note 8.

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

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

29 Commitments (Continued)

(b) Operating lease commitments — Group company as lessor

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

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

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

30 Contingencies

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

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

Note: As at 31 March 2017, the Group provided guarantees of surety bonds in respect of 5 (2016: 3) construction contracts of the Group in its ordinary course of business. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

31 Related parties balances and transactions

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the year:

Name of the related party	Relationship with the Group
Frankstone Builder Engineering Limited#	Controlled by certain shareholders of the Company
Spartan Construction Materials Limited	Controlled by certain shareholders of the Company
Spartan Lighting Limited	Controlled by certain shareholders of the Company
Prime League Holdings Limited	Controlled by certain shareholders of the Company
Wah Cheong Engineering (H.K.) Limited*	Significantly influenced by a shareholder of the Company

Ceased to be a related party starting from 23 September 2016 as it is no longer controlled by certain shareholders of the Company

* Ceased to be a related party starting from 27 September 2016 as it is no longer significantly influenced by a shareholder of the Company

(b) Transactions

Save as disclosed elsewhere in the consolidated financial statements, during the year ended 31 March 2016 and 2017, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Year ended 31 March	
	2017 HK$'000	2016 HK$'000
Received from related parties:		
Rental income from		
— Spartan Construction Materials Limited (Note (i))	**81**	165
Paid to related party for:		
Purchase of materials and consumables from		
— Spartan Construction Materials Limited (Note (ii))	**2,263**	2,819
Paid to related parties for:		
Subcontractor fees paid to		
— Frankstone Builder Engineering Limited (Note (ii))	**658**	2,009
Purchase of materials and consumables from		
— Spartan Lighting Limited (Note (ii))	**—**	987

31 Related parties balances and transactions (Continued)

(b) Transactions (Continued)

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Received from related party:		
Revenue from construction contracts from		
— Wah Cheong Engineering (H.K.) Limited (Note (ii))	**6,427**	6,564
Reimbursement of administrative expenses from		
— Frankstone Builder Engineering Limited (Note (ii))	**—**	1

Notes:

(i) The rental income was determined based on terms mutually agreed between parties involved.

(ii) The pricing of these transactions was determined based on mutual negotiation between the Group and the related parties.

(c) Key management compensation

Key management includes executive and non-executive directors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**7,010**	5,135
Retirement benefit costs — defined contribution plans	**126**	95
	7,136	5,230

31 Related parties balances and transactions (Continued)

(d) Balances

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Amounts due from related companies		
Frankstone Builder Engineering Limited	**—**	46
Spartan Construction Materials Limited	**2,372**	2,489
Spartan Lighting Limited	**904**	1,006
	3,276	3,541
Amounts due from shareholders		
Mr. Lam	**—**	4,891
Mr. Leung	**—**	4,892
Mr. Aaron Leung	**—**	130
Mr. Lui	**—**	210
	—	10,123
Maximum amount outstanding during the year	**10,123**	12,786
Amounts due to related companies		
Frankstone Builder Engineering Limited	**—**	(656)
Prime League Holdings Limited	**—**	(826)
Spartan Construction Materials Limited	**(10)**	(6)
Spartan Lighting Limited	**—**	—
	(10)	(1,488)

The balances due from/(to) the above related parties were unsecured, interest free, repayable on demand and denominated in HK$.

(e) Guarantees by directors

The banking facilities were supported by personal guarantees provided by the directors of the Company to the extent as follows:

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Mr. Leung and Mr. Lam	**103,892**	71,856

The above guarantees given by Mr. Leung and Mr. Lam are in the process of being released and replaced by guarantees of the Company.

32 Balance sheet of the Company

	Note	As at 31 March 2017 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries		56,482
Current assets		
Deferred listing expenses	a	5,607
Total assets		62,089
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital		1
Other reserves	b	56,481
Total equity		56,482
LIABILITIES		
Current liabilities		
Amount due to a subsidiary	c	5,607
Total liability		5,607
Total equity and liability		62,089

The balance sheet of the Company was approved by the Board of Directors on 28 June 2017 and were signed on its behalf.

Leung Kam Fai
Executive Director

Lam Ka Ho
Executive Director

32 Balance sheet of the Company (Continued)

Note (a): The deferred listing expenses are incurred in connection with the listing of the Company and will be deducted from equity upon listing of the Company.

Note (b): Reserves movement of the Company

	Other reserves (Note) HK$'000
Balance at 8 June 2016 (date of incorporation)	—
Surplus arising on issue of shares in connection with the Reorganisation (Note 1.2)	56,481
Balance at 31 March 2017	56,481

Note: Other reserves of the Company represents the difference between the net asset value of the acquired subsidiaries acquired by the Company over the nominal value of the share capital of the Company issued in exchange thereof.

Note (c): The carrying amount of the amount due to a subsidiary of the Company is denominated in HK$. The amount is unsecured, interest-free and repayable on demand.

33 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 March 2017:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive directors									
Mr. Leung	**1,020**	**–**	**–**	**–**	**516**	**–**	**–**	**–**	**1,536**
Mr. Lam	**1,020**	**–**	**–**	**–**	**358**	**–**	**–**	**–**	**1,378**
Independent non-executive directors									
Mr. Poon Man Hong (Note i)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Mr. Keung Kwok Hung (Note i)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Ms. Lau Suk Han Loretta (Note i)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**2,040**	**–**	**–**	**–**	**874**	**–**	**–**	**–**	**2,914**

Note i: Mr. Poon Man Hong, Mr. Keung Kwok Hung and Ms. Lau Suk Han Loretta were appointed as the independent non-executive directors of the Company on 13 March 2017.

For the year ended 31 March 2016:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive directors									
Mr. Leung	620	–	–	–	507	–	–	–	1,127
Mr. Lam	620	–	–	–	261	–	–	–	881
Total	1,240	–	–	–	768	–	–	–	2,008

33 Benefits and interests of directors (Continued)

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year (2016: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2016: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year, the Company did not pay consideration to any third parties for making available directors' services (2016: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealing in favour of directors, controlling bodies corporate by and connected entities with such directors during the year ended 31 March 2017 (2016: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2017 (2016: Nil).

34 Subsequent events

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

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

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, equity and liabilities of the Group for the last four financial years is as follows.

RESULTS

	Year ended 31 March			
	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**407,320**	361,427	289,856	187,795
Profit before income tax	**12,684**	29,652	26,753	15,954
Income tax expenses	**(4,538)**	(5,344)	(4,156)	(2,372)
Profit for the year	**8,146**	24,308	22,597	13,582

ASSETS AND LIABILITIES

	As at 31 March			
	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Non-current assets	**18,314**	25,137	24,197	18,200
Current assets	**228,834**	146,435	125,933	75,810
Total assets	**247,148**	171,572	150,130	94,010
Equity and liabilities				
Total equity	**49,619**	58,231	40,263	17,736
Non-current liabilities	**2,028**	2,124	1,576	574
Current liabilities	**195,501**	111,217	108,291	75,700
Total liabilities	**197,529**	113,341	109,867	76,274
Total equity and liabilities	**247,148**	171,572	150,130	94,010

Notes: The summary of the consolidated results of the Group for each of the three years ended 31 March 2014, 2015 and 2016 and of the assets, equity and liabilities as at 31 March 2014, 2015 and 2016 have been extracted from the Prospectus.

The financial information for the year ended 31 March 2013 was not disclosed as consolidated financial statements for the Group have not been prepared for that year. The summary above does not form part of the audited financial statements.

Milestone Builder Holdings Limited

進階發展集團有限公司