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 2018/2019

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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. Fong Man Fu Eric

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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 (Resigned on 31 May 2018)
Ms. Lee Yin Ling Linda (Appointed on 31 May 2018)

Auditor

PricewaterhouseCoopers

Registered Office

P.O. Box 10008, Willow House
Cricket Square
Grand Cayman KY1-1001
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

Tricor Services (Cayman Islands) Limited
P.O. Box 10008, Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

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

Stock Code

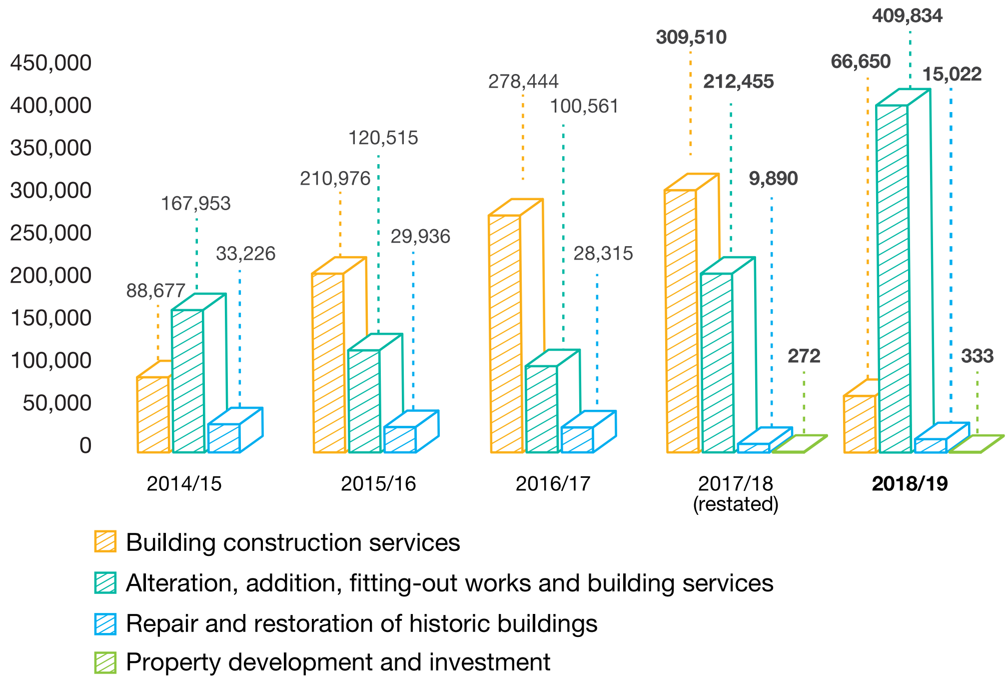
01667

Website

www.milestone.hk

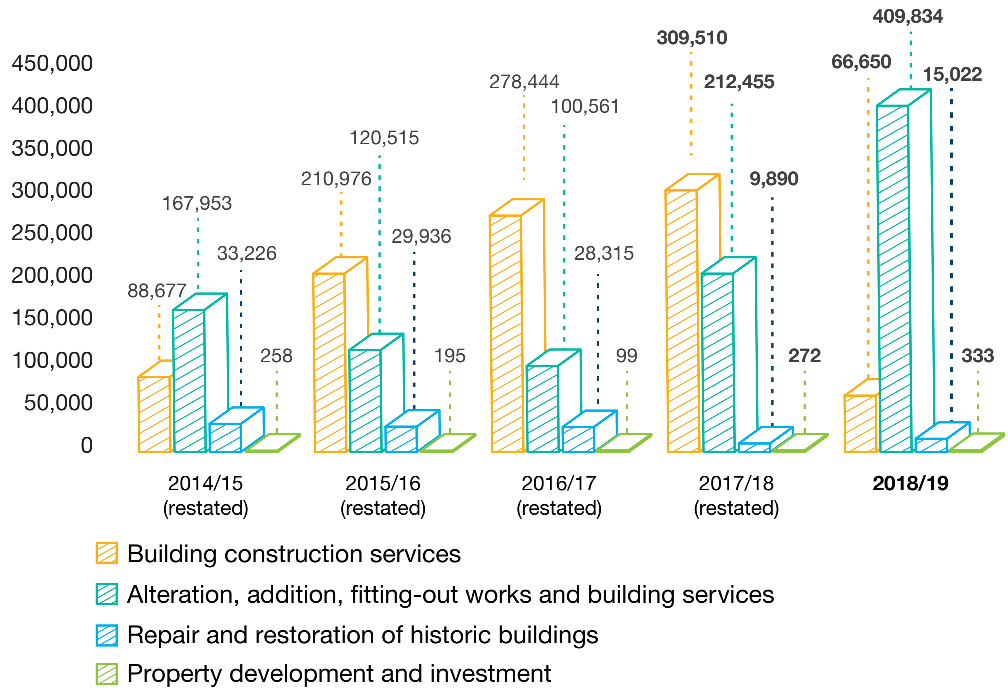
Financial Highlights

Consolidated Revenue (HK$'000)



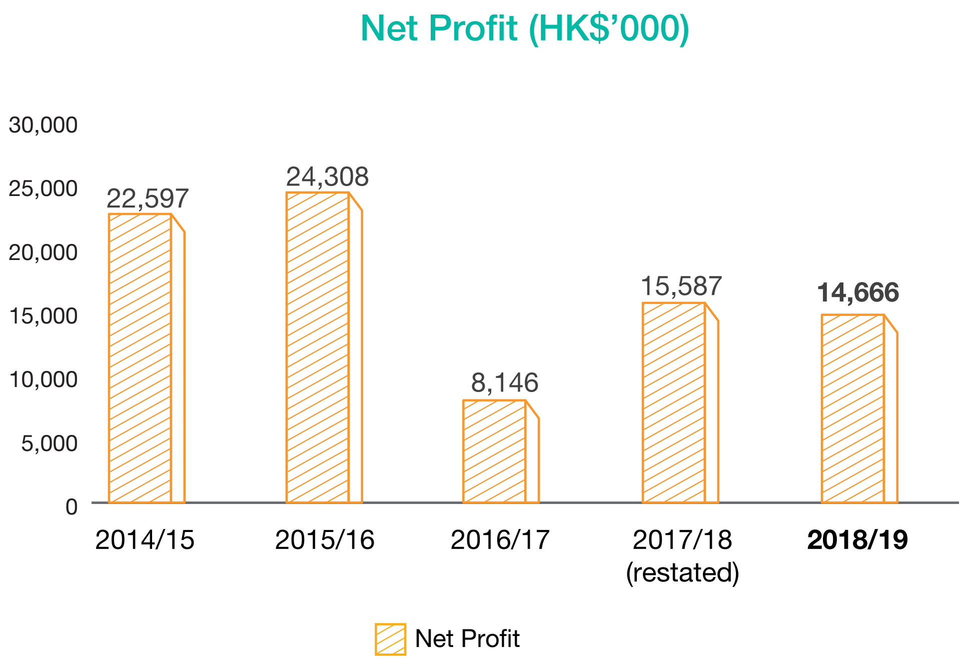
Note: No restatement made in 2014/15, 2015/16 and 2016/17. The figures have been extracted from previous Annual Report.

Consolidated Revenue Included Rental Income (HK$'000)



Note: In the current year, following the continual expansion of the Group into the property development and investment business, the rental income is reclassified to "revenue" instead of being included under "other income" in the consolidated statement of comprehensive income as in the previous years.

Financial Highlights (Continued)



Note: Restatements were made due to the change in accounting policy of investment properties from cost model to fair value model.

Chairman's Statement

Dear Shareholders,

I am pleased to present our annual report on behalf of the board (the "Board") of directors (the "Directors") of Milestone Builder Holdings Limited (the "Company" and together with its subsidiaries, the "Group" or "our Group" or "we") for the year ended 31 March 2019 (the "Year").

Chairman's Statement

The Group has more than 17 years of experience in the construction industry in Hong Kong. In order to keep in line with market dynamics, a new strategic decision has been made by developing a new segment to the Group. The two major segments of the Group become "Construction and Engineering Services" and "Property Development and Investment".

Regarding the "Construction and Engineering Services" segment, we are unfailingly being a reputable member of the construction industry with job references in both private and public sectors in (i) building construction services, (ii) alternation, addition, fitting-out works and building services, and (iii) repair and restoration of historic buildings. Our competent and dedicated management team continuously secures the cohering and trustful relationships with our customers, subcontractors and materials suppliers. We have recorded a revenue of approximately HK$ 491.8 million for the year ended 31 March 2019.

The Group believes the domestic construction market will grow continuously at a steady pace in medium and long run, due to the consistent demand for public and private domestic housing, commercial properties and infrastructures. In order to keep track with these expansions, we will strengthen our competitiveness by upgrading and obtaining various licenses and qualifications.

For the business of "Property Development and Investment", as well as investing in industrial properties in Hong Kong, the Group also continues to make progress in other country. The Group has moved a wise step by building up "Property Development and Investment" business in Japan through joint venture. A high-energy city, Osaka, is the first location for our development and investment projects in Japan and it allows the Group to gain valuable experience and reputation in the market. We are actively looking for further opportunities in Japan and other Asian countries.

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

Leung Kam Fai
Chairman

Hong Kong, 27 June 2019

Management Discussion and Analysis

Business and Financial Review

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

Business Review

The following table sets out a breakdown of our total revenue during the year ended 31 March 2019 and the comparative year according to our four major types of services:

As at 31 March 2019, there were 3, 41 and 1 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 2019.

As at 31 March 2019, the aggregate amount of revenue expected to be recognised after 31 March 2019 of our on-going projects was approximately HK$257.9 million.

	Year ended 31 March			
	2019		2018	
	HK$'000	**%**	HK$'000	%
Building construction services	**66,650**	**13.5**	309,510	58.2
Alteration, addition, fitting-out works and building services	**409,834**	**83.3**	212,455	39.9
Repair and restoration of historic buildings	**15,022**	**3.1**	9,890	1.8
Property development and investment	**333**	**0.1**	272	0.1
Total	**491,839**	**100.0**	532,127	100.0

The following table sets out our completed contracts during the year ended 31 March 2019 with contract sum of HK$3 million or above:

Particulars of project	Main category of works	Expected project period(Note 1)
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
Upgrading two artificial turfs of an university	Building construction services	December 2016 to March 2018

Management Discussion and Analysis (Continued)

Particulars of project	Main category of works	Expected project period[Note 1]
Plumbing and drainage installation works	Alteration, addition, fitting-out works and building services	March 2016 to June 2017
Replacement of existing lifting machines in Yuen Long	Alteration, addition, fitting-out works and building services	September 2016 to May 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
Repair works for a school in Mongkok	Alteration, addition, fitting-out works and building services	April 2018 to September 2018
Alteration and addition works to cinemas in Cheung Sha Wan	Alteration, addition, fitting-out works and building services	July 2018 to October 2018
Alteration and addition works for an international school in Tin Wan	Alteration, addition, fitting-out works and building services	September 2018 to November 2018
Improvement work at a plaza and installation of cover for mini-bus stop and covered walkway in Kwai Chung	Alteration, addition, fitting-out works and building services	November 2017 to June 2018
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
Electrical works for a holiday camp in Sai Kung	Alteration, addition, fitting-out works and building services	September 2016 to December 2017
Improvement work at a sport field of an university	Alteration, addition, fitting-out works and building services	April 2018 to August 2018
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.

Management Discussion and Analysis (Continued)

The following table sets out brief details of our projects in progress as at 31 March 2019 with contract sum of more than HK$3 million:

Particulars of project	Main category of works	Expected project period(Note 1)
Design and build for school extension and improvement projects	Building construction services	August 2016 to August 2018
Residential development in Ting Kau	Building construction services	September 2018 to December 2019
Alteration and addition works for a wholesale conversion in Kwai Chung	Alteration, addition, fitting-out works and building services	June 2018 to July 2019
Alteration and addition works for a project in Kwai Chung	Alteration, addition, fitting-out works and building services	February 2018 to May 2018
Alteration and addition works for a residential building in Yuen Long	Alteration, addition, fitting-out works and building services	August 2018 to August 2019
Electricity works of a water treatment plant in Tai Po	Alteration, addition, fitting-out works and building services	September 2016 to July 2017
Electrical, plumbing and drainage installation work for an industrial development project in Aberdeen	Alteration, addition, fitting-out works and building services	August 2018 to January 2020
Improvement of conference and meeting facilities in campus of an university	Alteration, addition, fitting-out works and building services	March 2018 to June 2019
Fitting-out works for a market in Tseung Kwan O	Alteration, addition, fitting-out works and building services	March 2018 to July 2018
Alteration and addition works for a school in Western District	Alteration, addition, fitting-out works and building services	March 2018 to August 2019
Alteration and addition works for a project in Yuen Long	Alteration, addition, fitting-out works and building services	March 2017 to June 2018
Plumbing and drainage installation work for a residential development project in Homantin	Alteration, addition, fitting-out works and building services	September 2018 to March 2020

Management Discussion and Analysis (Continued)

Particulars of project	Main category of works	Expected project period(Note 1)
Alteration and addition and renovation works for a project in Fanling	Alteration, addition, fitting-out works and building services	November 2018 to August 2020
Electrical, HVAC, fire service and plumbing and drainage installation for an elderly centre in Sheung Shui	Alteration, addition, fitting-out works and building services	January 2019 to April 2019
Electrical and ACMV installation system in Kai Tak	Alteration, addition, fitting-out works and building services	October 2018 to November 2020

Note:

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

Major Licenses, Qualifications and Certifications

As at 31 March 2019, 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 — Repair and Restoration of Historic Buildings Category[3]	—	Milestone Specialty Engineering Limited ("Milestone Specialty")	7 September 2017	Not Applicable	Not Applicable
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works — Electrical Installation Category	Group II of Electrical Installation (probation)	Speedy Engineering & Trading Company Limited ("Speedy Engineering")	21 June 2016	Not Applicable	Contracts/ sub-contracts of value up to HK$5.7 million
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works — Plumbing Installation Category	Group I of Plumbing Installation	Speedy Engineering	25 May 2017	Not Applicable	Contracts/ sub-contracts of value up to HK$2.3 million

Management Discussion and Analysis (Continued)

Relevant authority/ Organisation	Relevant list/Category	License	Holder	Date of first grant/ Registration	Expiry date for existing license	Authorised contract value
Buildings Department	Certificate of Registration of General Building Contractor[4]	—	Milestone Builder	29 October 2008	14 October 2020	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 2020	Not Applicable
Buildings Department	Certificate of Registration of Specialist Contractor[9]	Site Formation Works[10]	Milestone Builder	27 September 2006	10 September 2021	Not Applicable
Buildings Department	Certificate of Registration of Registered Minor Works Contractor	Type A, B, D, E,F,G (Class II & III)	Speedy Engineering	7 March 2013	7 March 2022	Not Applicable
Buildings Department	Certificate of Registration of General Building Contractor[4]	—	Speedy Engineering	28 February 2019	30 January 2022	Not Applicable

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

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

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

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

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

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

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

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

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

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

Management Discussion and Analysis (Continued)

Development of the Group

Apart from the 'Construction and Engineering Services', the Group has continued to develop the business in 'Property Development and Investment'. The Company currently held properties in Hong Kong for investment purpose. Furthermore, jointly controlled entities ("JV entities") were established for the property development and investment business in Japan. Freehold lands have already been acquired and undergoing construction in Osaka, Japan, reference is made to the announcement of the Company dated 21 March 2018 and 16 April 2018.

Financial Review

Revenue

Revenue for the year ended 31 March 2019 was approximately HK$491.8 million, representing a decrease of 7.6% from approximately HK$532.1 million for the year ended 31 March 2018. The decline in our revenue was mainly attributable to the completion of a predominant project.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year ended 31 March 2019 was approximately HK$62.4 million, representing a decrease of 12.7% from approximately HK$71.5 million for the year ended 31 March 2018. In addition, the Group's gross profit ratio slightly decreased from approximately 13.4% during year ended 31 March 2018 to approximately 12.7% during the year ended 31 March 2019. 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 decreased from approximately HK$51.1 million during the year ended 31 March 2018 to approximately HK$40.6 million during the year ended 31 March 2019 and such decrease was mainly attributable to (i) decrease in staff welfare and messing of approximately HK$3.1 million; (ii) decrease in travelling expenses of approximately HK$2.4 million; (iii) decrease in staff costs of approximately HK$1.7 million during the year ended 31 March 2019 as compared with the previous year.

Profit before Income Tax & Net Profit

During the year ended 31 March 2019, the Group reported profit before income tax of approximately HK$17.1 million (31 March 2018: approximately HK$20.1 million), representing a decrease of approximately 14.9% as compared with last year.

Net profit of the Group was approximately HK$14.7 million for the year ended 31 March 2019 (31 March 2018: approximately HK$15.6 million), representing a decrease of approximately 5.8%.

Principal Risks and Uncertainties

— Fluctuating cash flows pattern

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

— Accuracy on the estimated time and costs

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

Management Discussion and Analysis (Continued)

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

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

— Continuity of order book for new projects

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

— Non-standardisation of profit margin

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

— Reduction of construction works in Hong Kong

During the 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.

Management Discussion and Analysis (Continued)

Debts and Charges on Assets

The total interest bearing borrowings of the Group, including bank loans, loan from a shareholder and finance leases, was approximately HK$139.9 million as at 31 March 2019 (HK$63.6 million as at 31 March 2018). These banking facilities were secured by the Group's assets of which details are disclosed in Note 25 to this annual report. Borrowings were denominated mainly in Hong Kong dollars and interest rate of bank borrowings were charged at 4.0%–5.9% per annum. The Group currently does not have an interest rate hedging policy while the Group monitors interest rate risks continuously.

Save as disclosed elsewhere in this annual report, we did not have, at the closure of business on 31 March 2019, 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.

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 2019, the Group had cash and bank balances of approximately HK$19.7 million (31 March 2018: approximately HK$30.7 million). The Group's gearing ratio and current ratio are as follows:

	As at 31 March	
	2019	2018 (restated)
Current ratio	**1.4**	1.8
Gearing ratio	**46%**	17%

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 loan from a shareholder, borrowings and obligation under finance leases, less cash and bank balances) divided by total capital (summation of total equity plus net debt).

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

Management Discussion and Analysis (Continued)

Use of Net Proceeds from the Listing

As disclosed in the Company's prospectus dated 22 March 2017 (the "Prospectus") and the Company's announcement dated 9 February 2018, the Group's net proceeds from the share offer, after deducting related underwriting fees and Listing expenses for the listing of the shares of the Company on the Main Board of the Stock Exchange on 7 April 2017 (the "Listing"), of approximately HK$75.9 million are intended to use and the utilisation of the net proceeds as at 31 March 2019, are set out as follows:

Uses of Net Proceeds	Original allocation HK$ million	Revised allocation as disclosed in the announcement dated 9 February 2018 HK$ million	Utilisation as at 31 March 2019 HK$ million	Remaining balance after revised allocation HK$ million
Financing the capital input and upfront costs to upcoming projects	36.0	36.0	36.0	—
Purchase of surety bonds	13.0	—	—	—
Increasing the employed capital of the Group	11.4	11.4	11.4	—
Repayment of current bank borrowings of the Group	4.3	4.3	4.3	—
Employing additional staff	3.3	3.3	3.3	—
Investing in building information modelling software	0.5	0.5	—	0.5
General working capital of the Group	7.4	7.4	7.4	—
Financing the Property Development and Investment Business in Japan	—	13.0	13.0	—
	75.9	75.9	75.4	0.5

Prospects

The Group believes the construction market in Hong Kong will continue to grow steadily due to the continuing demand for land supply for housing and commercial building developments in both private and public sectors as well as fostering infrastructure development plans in the long term.

We will continue to leverage on our various licenses and qualifications and extensive experience in construction industry and to participate in the forthcoming projects to strengthen our position in the Hong Kong market. We will also continue to invest in human resource, to recruit and provide adequate training to our employees in order to maintain our edge in the market.

The Group has continued to extend its property development and investment business in Japan, Osaka is the first location for our development. The property development and investment business in Japan has allowed the Group the opportunity to gain valuable experience and reputation in other countries in Asia-Pacific region, which will help the development of the Group in near future.

Foreign Exchange Exposure

As at 31 March 2019 and for the year ended 31 March 2019, most of the income and expenditures of the Group are denominated in Hong Kong dollars, being the functional currency of the Group, and hence, the Group does not have any material foreign exchange exposure. The Group has not implemented nor entered into any types of instruments or arrangements to hedge against currency exchange fluctuations.

Management Discussion and Analysis (Continued)

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

JV entities were established for the Property Development and Investment Business in Japan, which may include, but not limited to, (i) property consolidation, assembly and redevelopments; (ii) property trading and/or investment; and (iii) hospitality management business.

For the year ended 31 March 2019, JV entities have entered into the Formal Agreement to acquire for the Land located at 4–10, 1 Chome, Dotonbori, Chuo-ku, Osaka, Japan, at a consideration of 290 million Japanese Yen (equivalent to approximately HK$21.2 million) and the Construction Contract in relation to the construction of a building situated at 1–25, Kitakawahoricho, Tennoji-ku, Osaka, Japan in the contract sum of 338 million Japanese Yen (equivalent to approximately HK$24.3 million), subject to adjustments in connection with changes (if any) in the construction works.

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

Capital Commitments

As at 31 March 2019, the Group had no material capital commitments.

Lease Commitments

The Group leases car parking spaces, office premises, staff quarters and warehouses under non-cancellable operating lease agreements. The lease terms are ranged from 1 to 3 years and the lease arrangements are renewable at the end of the lease period at market rate.

The Group had contracted with lessees for leasing office premises and a car parking space under non-cancellable operating lease agreements. The lease term are ranged from 6 months 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 this annual report.

Contingent Liabilities

Save as disclosed in Note 30 to this annual report, the Group had no other contingent liabilities as at 31 March 2019.

Event after the Reporting Period

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2019 and up to the date of this annual report.

Employees and Remuneration Policy

As at 31 March 2019, the Group had 161 employees (31 March 2018: 192 employees). Most of the Group's employees were site workers in Hong Kong. The decrease in headcount is mainly due to the completion of a predominant project. The remuneration policy and package of the Group's employees were periodically reviewed. Apart from Mandatory Provident Fund, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance. The staff cost incurred by the Group during the year ended 31 March 2019 was approximately HK$76.0 million (31 March 2018: approximately HK$126.5 million).

SHARE OPTION SCHEME

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

No share options have been granted, exercised or cancelled under the Scheme since its adoption date and up to the date of this 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.

Details of the Scheme are set out in the "Directors' Report" section on page 33 of this annual report.

Directors and Senior Management

Board of Directors

The composition of the Board of Directors as at the date of this annual report is set out below:

Executive Directors

Mr. Leung Kam Fai ("Mr. Leung"), aged 52, 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 17 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. He also holds directorship in various subsidiaries of the Company.

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 53, 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 17 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. He also holds directorship in various subsidiaries of the Company.

Independent Non-Executive Directors

Mr. Keung Kwok Hung ("Mr. Keung"), aged 46, 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 was employed by 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

Directors and Senior Management (Continued)

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 50, 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. Fong Man Fu Eric ("Mr. Fong"), aged 63, 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 40 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.

Directors and Senior Management (Continued)

Senior Management

Mr. Leung Chin Hung Aaron ("Mr. Aaron Leung"), aged 51, 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. Ng Si Yin, Ben ("Mr. Ng"), aged 62, 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 Speedy Engineering under the Buildings Ordinance in February 2019.

Mr. Ng has over 37 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 41, 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 20 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.

Ms. Lee Yin Ling, Linda ("Ms. Linda Lee"), aged 47, joined Milestone Builder in May 2018. She is currently our Company's financial controller and was appointed as our company secretary with effect from 31 May 2018. She is responsible for the oversight of our Group's finance and accounts function and internal controls.

Ms. Linda Lee obtained a degree of Bachelor of Business Administration in accounting from the Hong Kong Baptist University and is a certified public accountant of HKICPA and a member of The Association of Chartered Certified Accountants. Ms. Lee has more than 20 years of experience in accounting and finance operations.

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.

The Board is of the opinion that throughout the year ended 31 March 2019, the Company had applied the principles and 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. All the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2019 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.

Corporate Governance Report (Continued)

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 Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management. 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 Board currently comprises the following Directors:

Executive Directors

Leung Kam Fai *(Chairman)*
Lam Ka Ho

Independent Non-Executive Directors

Keung Kwok Hung
Lau Suk Han Loretta
Fong Man Fu Eric

The biographies of the Directors and the relationships among them are set out in the "Directors and Senior Management" section on pages 17 to 19 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 are 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 year ended 31 March 2019, 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.

Corporate Governance Report (Continued)

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

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication of a majority of Directors.

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.

During the Year, 4 Board meetings were held.

Continuous Professional Development of Directors

During the year ended 31 March 2019, 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 record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the year ended 31 March 2019 are summarised as follows:

Directors	Type of Training (Note)
Executive Directors	
Leung Kam Fai	A, B
Lam Ka Ho	B
Independent Non-Executive Directors	
Keung Kwok Hung	A, B
Lau Suk Han Loretta	A, B
Fong Man Fu Eric	A, B

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 are set out below:

Audit Committee

Keung Kwok Hung *(Chairman)*
Lau Suk Han Loretta
Fong Man Fu Eric

Remuneration Committee

Keung Kwok Hung *(Chairman)*
Leung Kam Fai
Fong Man Fu Eric

Nomination Committee

Fong Man Fu Eric *(Chairman)*
Keung Kwok Hung
Leung Kam Fai

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 two meetings to review in respect of the year ended 31 March 2019, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems, 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 auditor.

Corporate Governance Report (Continued)

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 met once 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.

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 annual 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 met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Nomination Policy and Procedure

The Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new director (to be an additional director or fill a casual vacancy as and when it arises) or any re-appointment of directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:

(a) participating in Board meetings to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

(b) taking the lead where potential conflicts of interests arise;

(c) serving on the Audit Committee, the Remuneration Committee and the Nomination Committee (in the case of candidate for non-executive director) and other relevant Board Committees, if invited;

(d) bringing a range of business and financial experience to the Board, giving the Board and any committees on which he or she serves the benefit of his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board/committee meetings;

(e) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;

(f) ensuring the committees on which he or she serves to perform their powers and functions conferred on them by the Board; and

(g) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

Corporate Governance Report (Continued)

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 Year, 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 Year is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	2018 AGM
Leung Kam Fai	4/4	N/A	1/1	1/1	1/1
Lam Ka Ho	4/4	N/A	N/A	N/A	1/1
Keung Kwok Hung	4/4	2/2	1/1	1/1	1/1
Lau Suk Han Loretta	4/4	2/2	N/A	N/A	1/1
Fong Man Fu Eric	4/4	2/2	1/1	1/1	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of executive Directors on 27 June 2019.

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.

Corporate Governance Report (Continued)

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.

Regular 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 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 unauthorised 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.

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. 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.

Corporate Governance Report (Continued)

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 2019, the remuneration of senior management is listed below by band:

Band of remuneration (HK$)	Number of Person
HK$1,000,000 or below	4

Auditor's Remuneration

The remuneration paid or payable to the external auditor of the Company in respect of audit and tax services for the year ended 31 March 2019 amounted to approximately HK$1.6 million and HK$0.2 million respectively.

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 2019 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, Ms. Lee Yin Ling, Linda, 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 2019, the company secretary had taken no less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules. For details of the company secretary's biography, please refer to the section headed "Directors and Senior Management" of this annual report.

Corporate Governance Report (Continued)

Shareholders' Rights

The Company engages with shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

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 general meeting of the Company is 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 enquiries. In addition, the Company's website (www.milestone.hk) contains extensive company information which is easily accessible.

Constitutional Documents

There has been no change to the Company's constitutional documents during the Year under review. An up-to-date version of the Company's memorandum and articles of association is available on the websites of the Company and the Stock Exchange.

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 and engages in property development and investment. The principal activities of the subsidiaries are set out in Note 16 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 7 to 16, which forms part of this annual report.

Results and Dividends

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of comprehensive income on page 47 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Same).

Dividend Policy

1. Objective

The objective of the Company's dividend policy (the "Dividend Policy") is to allow shareholders of the Company (the "Shareholders") to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

Directors' Report (Continued)

2. Factors to be considered

2.1 The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles of Association and all applicable laws and regulations and the factors set out below.

- the Group's results of operations and cash flows;
- the Group's future prospects;
- general business conditions;
- the Group's capital requirements and surplus;
- contractual restrictions on the payment of dividends by the Company to its Shareholders or by subsidiaries to the Company;
- taxation considerations;
- possible effects on the Company's creditworthiness;
- statutory and regulatory restrictions; and
- any other factors the Board may deem relevant.

Depending on the financial conditions of the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:

- interim dividend;
- final dividend;
- special dividend; and
- any distribution of net profits that the Board may deem appropriate.

3. Review of the Dividend Policy

3.1 The Board will review the Dividend Policy as appropriate from time to time.

Directors' Report (Continued)

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 130 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

No charitable and other donations were made by the Group during the year ended 31 March 2019 (31 March 2018: Nil).

Distributable Reserves

Distributable reserves of the Company as at 31 March 2019, calculated under the Companies Law (as revised) of the Cayman Islands, amounted to approximately HK$69.4 million (31 March 2018: HK$69.2 million).

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 page 15 of this annual report.

Shares Issued during the Year

Details of the shares issued during the year ended 31 March 2019 are set out in Note 21 to the consolidated financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the 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 Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2019.

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' Report (Continued)

Directors

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

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. Fong Man Fu Eric

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.

In accordance with Article 108 of the Articles of Association, Mr. Leung Kam Fai and Mr. Lam Ka Ho, the executive Directors, shall retire from office at the 2019 AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the 2019 AGM.

Details of the Directors standing for re-election at the 2019 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 19 of this annual report.

Directors' Service Contracts

None of the Directors being proposed for re-election at the 2019 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

Saved as disclosed in Note 31 to the consolidated financial statements, no other 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 annual 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.

Directors' Report (Continued)

Save as disclosed above, as at the date of this annual 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 annual 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 annual 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 annual 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 annual 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 2019, the Group's five largest customers in aggregate accounted for approximately 71.7% (31 March 2018: approximately 83.5%) of the Group's total revenue. The largest customer accounted for approximately 26.9% (31 March 2018: approximately 47.9%) of the Group's total revenue.

During the year ended 31 March 2019, the Group's five largest subcontractors in aggregate accounted for approximately 30.4% (31 March 2018: approximately 23.0%) of the Group's total sub-contracting fee. The largest sub-contractor accounted for approximately 7.7% (31 March 2018: approximately 5.2%) of the Group's total sub-contracting fee.

During the year ended 31 March 2019, the Group's five largest suppliers in aggregate accounted for approximately 30.4% (31 March 2018: approximately 29.7%) of the Group's total material costs. The largest supplier accounted for approximately 13.3% (31 March 2018: approximately 10.0%) 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.

Directors' Report (Continued)

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 engages 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 encourages 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 2019, the aggregate annual cost of compliance with applicable environmental laws and regulations in Hong Kong was approximately HK$1,879,000 (31 March 2018: HK$891,000). 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 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.

Directors' Report (Continued)

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 2019 is set out in Note 31 to the consolidated financial statements.

These related party transactions did not constitute a connected transaction (as defined in the Listing Rules) that is required to be disclosed.

Continuing Connected Transactions

The 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.

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.

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 annual report.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 20 to 29.

Directors' Report (Continued)

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 2019 and up to the date of this annual report.

Auditor

The consolidated financial statements for the year ended 31 March 2019 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the 2019 AGM.

On behalf of the Board
Leung Kam Fai
Chairman

Hong Kong, 27 June 2019

Independent Auditor's Report

pwc

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 130, which comprise:

- the consolidated balance sheet as at 31 March 2019;
- 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 2019, 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 accounting for construction contracts.

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting for construction contracts Refer to Note 2.21, Note 2.22, Note 4(a), Note 4(b), Note 6 and Note 19 to the consolidated financial statements. For the year ended 31 March 2019, the Group recognised revenue and gross profit from construction contracts of HK$491,506,000 and HK$62,182,000 respectively. The contract assets and contract liabilities relating to construction contracts were HK$242,257,000 and HK$7,867,000 respectively as at 31 March 2019. The recognition of revenue on construction contracts of the Group is based on the progress towards complete satisfaction of performance obligation. Progress towards complete satisfaction of performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs; or direct measurements of the value transferred by the Group to the customer. Accordingly, the recognition of revenue on construction contracts requires significant judgement and estimates of the forecast revenue, costs to complete and amount of contract modifications by management, which also affects the contract assets and contract liabilities to be recognised in the consolidated balance sheet. Due to the significant judgements and estimates involved, specific audit focus was placed on this area.	We tested the key controls over determining the progress towards complete satisfaction of performance obligation, 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 calculations 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 progress towards complete satisfaction of performance obligation by reference to the proportion of contract costs incurred for work performed at the year end to the estimated total construction costs or the external architects' certificates and quantity surveyors' latest valuation at the year end;

Independent Auditor's Report (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	• 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; • Where applicable, we obtained written opinion from the Group's external industry expert and discussed with the expert the basis in concluding the likelihood and the amount which would be recovered from the project. We checked relevant evidence including agreements, correspondence with customers, for corroboration of their explanations; and • We tested the arithmetical accuracy of management's calculations for the accounting of the contract revenue, costs and contract assets/contract liabilities 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 all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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, 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.

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 annual 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.

Independent Auditor's Report (Continued)

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

- 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.

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 Chan Tak Wai, Daniel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 June 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	Note	Year ended 31 March 2019 HK$'000	2018 HK$'000 (Restated) (Note 2.1.1)
Revenue	6	**491,839**	532,127
Cost of sales	8	**(429,415)**	(460,614)
Gross profit		**62,424**	71,513
Other income	6	**563**	517
Other gains/(losses), net	7	**31**	(105)
Administrative expenses	8	**(40,559)**	(51,062)
Fair value gains on investment properties	13	**1,200**	2,184
Operating profit		**23,659**	23,047
Finance income	10	**101**	135
Finance costs	10	**(5,916)**	(2,826)
Finance costs, net		**(5,815)**	(2,691)
Share of results of investments accounted for using the equity method	17	**(769)**	(209)
Profit before income tax		**17,075**	20,147
Income tax expenses	11	**(2,409)**	(4,560)
Profit attributable to the owners of the Company		**14,666**	15,587
Other comprehensive income/(loss), net of tax			
Item that may be subsequently reclassified to profit or loss			
Share of other comprehensive loss of investments accounted for using the equity method	17	**(22)**	—
Item that will not be subsequently reclassified to profit or loss			
Revaluation surplus upon transfers of property, plant and equipment to investment properties	14	**3,501**	7,097
Total comprehensive income attributable to the owners of the Company		**18,145**	22,684
		HK cents per share	HK cents per share
Earnings per share for profit attributable to the owners of the Company:			
Basic	12	**1.83**	1.96
Diluted	12	**1.83**	1.96

The notes on pages 53 to 130 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 March 2019

	Note	As at 31 March 2019 HK$'000	2018 HK$'000 (Restated) (Note 2.1.1)	2017 HK$'000 (Restated) (Note 2.1.1)
ASSETS				
Non-current assets				
Investment properties	13	22,610	16,048	1,564
Property, plant and equipment	14	2,956	7,638	15,665
Investments accounted for using the equity method	17	—	791	—
Deferred income tax assets	26	494	1,849	1,335
Long-term deposits	18	80	660	660
Total non-current assets		26,140	26,986	19,224
Current assets				
Amounts due from investments accounted for using the equity method	17, 31	37,916	1,010	—
Amounts due from related companies	31	2,393	3,135	3,276
Trade, retention and other receivables, deposits and prepayments	18	95,025	86,831	92,343
Amounts due from customers for contract works	19(a)	—	164,448	111,644
Contract assets	19(b)	242,257	—	—
Current income tax recoverable		9,251	1,291	4,583
Pledged deposits	20(b)	26,026	16,013	5,000
Cash and bank balances	20(a)	19,747	30,682	11,988
Total current assets		432,615	303,410	228,834
Total assets		458,755	330,396	248,058
EQUITY				
Capital and reserves attributable to the owners of the Company				
Share capital	21	80,000	80,000	1
Reserves	22	62,009	83,592	50,517
Total equity		142,009	163,592	50,518

The notes on pages 53 to 130 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet (Continued)

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000 (Restated) (Note 2.1.1)	2017 HK$'000 (Restated) (Note 2.1.1)
		As at 31 March		
LIABILITIES				
Non-current liabilities				
Loan from a shareholder	25	**8,750**	—	—
Obligations under finance leases	23	**367**	696	1,131
Deferred income tax liabilities	26	**362**	476	908
Total non-current liabilities		**9,479**	1,172	2,039
Current liabilities				
Amount due to an investment accounted for using the equity method	17, 31	**267**	169	—
Amount due to a related company	31	**444**	—	10
Amounts due to customers for contract works	19(a)	**—**	5,695	13,883
Contract liabilities	19(b)	**7,867**	—	—
Trade and other payables and accruals	24	**167,942**	96,782	119,652
Current income tax payables		**6**	67	—
Current portion of obligations under finance leases	23	**512**	876	1,136
Borrowings	25	**130,229**	62,043	60,820
Total current liabilities		**307,267**	165,632	195,501
Total liabilities		**316,746**	166,804	197,540
Total equity and liabilities		**458,755**	330,396	248,058

The consolidated financial statements on pages 47 to 130 were approved by the Board of Directors on 27 June 2019 and were signed on its behalf.

Leung Kam Fai
Executive Director

Lam Ka Ho
Executive Director

The notes on pages 53 to 130 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Attributable to the owners of the Company					
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Revaluation reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
Balance at 31 March 2017, as originally presented	1	—	4,789	—	44,829	49,619
Change in accounting policy of investment properties from cost model to fair value model (Note 2.1.1(c))	—	—	—	910	(11)	899
Balance at 31 March 2017, as restated	1	—	4,789	910	44,818	50,518
Comprehensive income						
Profit for the year, as restated	—	—	—	—	15,587	15,587
Other comprehensive income						
Revaluation surplus upon transfers of property, plant and equipment to investment properties, as restated (Note 14)	—	—	—	7,097	—	7,097
Total comprehensive income	—	—	—	7,097	15,587	22,684
Transactions with owners						
Dividends (Note 27)	—	—	—	—	(2,400)	(2,400)
Capitalisation Issue (Note 21)	59,999	(59,999)	—	—	—	—
Issue of shares upon share offer in the Listing (Note 21)	20,000	84,000	—	—	—	104,000
Share issuance costs (Note 21)	—	(11,210)	—	—	—	(11,210)
Total transactions with owners, recognised directly in equity	79,999	12,791	—	—	(2,400)	90,390
Balance at 31 March 2018, as restated	80,000	12,791	4,789	8,007	58,005	163,592

The notes on pages 53 to 130 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 March 2019

	Attributable to the owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Revaluation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
Balance at 31 March 2018, as originally presented	80,000	12,791	4,789	—	—	55,878	153,458
Change in accounting policy of investment properties from cost model to fair value model (Note 2.1.1(c))	—	—	—	8,007	—	2,127	10,134
Balance at 31 March 2018, as restated	80,000	12,791	4,789	8,007	—	58,005	163,592
Change in accounting policy in relation to the adoption of HKFRS 15 (Note 2.1.1(a)(ii))	—	—	—	—	—	(39,728)	(39,728)
Balance at 1 April 2018, as restated	**80,000**	**12,791**	**4,789**	**8,007**	**—**	**18,277**	**123,864**
Comprehensive income							
Profit for the year	**—**	**—**	**—**	**—**	**—**	**14,666**	**14,666**
Other comprehensive income/ (loss)							
Share of other comprehensive loss of investments accounted for using the equity method	**—**	**—**	**—**	**—**	**(22)**	**—**	**(22)**
Revaluation surplus upon transfers of property, plant and equipment to investment properties (Note 14)	**—**	**—**	**—**	**3,501**	**—**	**—**	**3,501**
Total comprehensive income/ (loss)	**—**	**—**	**—**	**3,501**	**(22)**	**14,666**	**18,145**
Balance at 31 March 2019	**80,000**	**12,791**	**4,789**	**11,508**	**(22)**	**32,943**	**142,009**

The notes on pages 53 to 130 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Note	Year ended 31 March 2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash used in operations	28	**(33,215)**	(57,687)
Income tax paid		**(1,339)**	(6,419)
Income tax refunded		**—**	4,272
Net cash used in operating activities		**(34,554)**	(59,834)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(70)**	(251)
Proceeds from disposals of property, plant and equipment	28	**750**	142
Capital contribution to investments accounted for using the equity method		**—**	(1,000)
Cash advance to an investment accounted for using the equity method		**(36,906)**	—
Interest received		**101**	135
Net cash used in investing activities		**(36,125)**	(974)
Cash flows from financing activities			
Interest paid for bank borrowings		**(5,777)**	(2,720)
Proceeds from bank borrowings	28	**355,541**	58,900
Repayments of bank borrowings	28	**(299,609)**	(51,815)
Repayments of finance lease obligations	28	**(1,402)**	(1,367)
Proceeds from loan from a shareholder	28	**8,750**	—
Increase in pledged deposits		**(10,013)**	(11,013)
Proceeds from issuance of ordinary shares		**—**	104,000
Dividends paid		**—**	(2,400)
Payment of listing expenses		**—**	(8,221)
Net cash generated from financing activities		**47,490**	85,364
Net (decrease)/increase in cash and cash equivalents		**(23,189)**	24,556
Cash and cash equivalents at beginning of the year		**27,771**	3,215
Cash and cash equivalents at end of the year		**4,582**	27,771
Analysis of the bank balances of cash and cash equivalents			
Cash and bank balances	20(a)	**19,747**	30,682
Bank overdrafts	25	**(15,165)**	(2,911)
		4,582	27,771

The notes on pages 53 to 130 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General Information

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 P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, 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 (together "construction and engineering services"); and engage in property development and investment business.

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

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

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these 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 ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for the investment properties which are measured at fair values (Notes 2.1.1(c) and 13).

The preparation of the financial statements in conformity with HKFRS 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.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. Of these, the following are relevant to the Group's consolidated financial statements.

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers

The other standards did not have material impact on the Group's accounting policies and did not require any adjustments.

The below explains the impact of adoption of HKFRS 9 Financial Instruments ("HKFRS 9") and HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") on the Group's consolidated financial statements.

(i) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies as described below.

Classification and measurement of financial instruments

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

The financial assets held by the Group represent debt instruments previously classified as loans and receivables and measured at amortised cost, meet the conditions for classification at amortised cost under HKFRS 9. Accordingly, there is no impact on the Group's accounting for financial assets.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

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

(i) HKFRS 9 Financial Instruments (Continued)

Impairment of financial assets and contract assets

The Group has three types of assets that are subject to HKFRS 9's new expected credit loss model:

— trade and retention receivables;

— contract assets; and

— other financial assets carried at amortised cost

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While bank balances and pledged deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade and retention receivables and contract assets

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade and retention receivables and contract assets. To measure the expected credit losses, receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance.

Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customers and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The expected loss rates are determined based on the historical credit losses experienced and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables.

Management has closely monitored the credit qualities and the collectability of the trade and retention receivables and contract assets. The adoption of the simplified expected credit loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade and retention receivables and contract assets as at 1 April 2018.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

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

(i) HKFRS 9 Financial Instruments (Continued)

Impairment of financial assets and contract assets (Continued)

Other financial assets carried at amortised cost

For other financial assets carried at amortised cost, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the balance sheet date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the expected credit loss is immaterial.

(ii) HKFRS 15 Revenue from contracts with customers

The adoption of HKFRS 15 from 1 April 2018 resulted in changes in measurement to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 15, HKFRS 15 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the remeasurement of the contract revenue and cost are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening consolidated balance sheet on 1 April 2018.

The adoption of HKFRS 15 from 1 April 2018 resulted in changes in accounting policies as described below.

Timing of revenue recognition

In previous reporting period, 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 balance sheet date.

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.

Under HKFRS 15, the revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

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

(ii) HKFRS 15 Revenue from contracts with customers (Continued)

Timing of revenue recognition (Continued)

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs; or

- direct measurements of the value transferred by the Group to the customer.

Construction costs are recognised as expenses by reference to the progress towards complete satisfaction of the performance obligation of the contract activity at balance sheet date.

Accounting for contract modifications

In previous reporting period, 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.

Under HKFRS 15, the Group accounts for a modification if the customers to a contract approve a change in the scope and/or the price of a contract. If the customers have approved a change in scope, but have not yet determined the corresponding change in price, the Group estimates the change to the contract price as a variable consideration.

The estimated amount of the variable consideration is included in the contract price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable considerations is subsequently resolved.

Presentation for contract assets and contract liabilities

Reclassifications were made as at 1 April 2018 to be consistent with the terminology used under HKFRS 15. 'Contract assets' for the unbilled amount recognised in relation to construction contracts were previously presented as 'amounts due from customers for contract works'. 'Contract liabilities' for the advanced proceed received from customers recognised in relation to construction contracts were previously presented as 'amounts due to customers for contract works'.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

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

(ii) HKFRS 15 Revenue from contracts with customers (Continued)

The effect of the adoption of HKFRS 15 to the opening consolidated balance sheet on 1 April 2018 is as follows:

	As at 1 April 2018 HK$'000
Effect on consolidated balance sheet	
Increase in deferred income tax assets	4,204
Decrease in amounts due from customers for contract works	164,448
Increase in contract assets	125,242
Increase in income tax recoverable	3,322
Decrease in retained earnings	39,728
Decrease in deferred income tax liabilities	452
Decrease in amounts due to customers for contract works	5,695
Increase in contract liabilities	14,291
Decrease in trade and other payables and accruals	224
Increase in current income tax payables	128

Please refer to Note 2.1.1(d) for details of the reclassifications and the adjustments.

(b) New standards and interpretations not yet adopted

HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the balance sheet date, the Group has non-cancellable operating lease commitments of HK$3,238,000, see Note 29(a). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(b) New standards and interpretations not yet adopted (Continued)

HKFRS 16 Leases (Continued)

The Group will apply the standard from its mandatory adoption date of 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards and interpretations that are not yet effective that would be expected to have a material impact on the entity's consolidated financial statements.

(c) Change in accounting policy of investment properties from cost model to fair value model

In previous years, the Group's investment properties were carried at historical cost less accumulated depreciation in the consolidated balance sheet.

Due to continual expansion of the Group into the property development and investment business and the investment properties portfolio of the Group, the directors reassessed the appropriateness of this accounting policy during the year and concluded that by using the fair value model under HKAS 40 for investment properties, the consolidated financial statements would provide reliable and more relevant information about the Group's results and financial position.

Consequently, the Group changed its accounting policy on investment properties to follow the fair value model under HKAS 40 during the year.

When an owner-occupied property becomes an investment property carried at fair value because of change in use, any decrease in the carrying amount of the property is recognised in the consolidated statement of comprehensive income. For any increase in the carrying amount of the property, the revaluation gain/surplus shall first reverse any previous impairment loss for that property in the consolidated statement of comprehensive income. The remaining portion of the increase is recognised in other comprehensive income and increases the revaluation reserve within equity. The revaluation reserve in equity may be transferred to retained earnings upon disposal of the investment property.

The change in accounting policy of investment properties from cost model to fair value model have been accounted for retrospectively. The comparative figures as at 31 March 2017 and 2018 have been restated to reflect the change in accounting policy.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(c) Change in accounting policy of investment properties from cost model to fair value model (Continued)

The effect of the change in accounting policy to the consolidated balance sheet as at 31 March 2017 and 2018 is as follows:

	As at 31 March 2018 HK$'000	As at 31 March 2017 HK$'000
Effect on consolidated balance sheet		
Increase in investment properties	10,282	910
Increase in revaluation reserve	8,007	910
Increase/(decrease) in retained earnings	2,127	(11)
Increase in deferred income tax liabilities	148	11

The effect of the change in accounting policy to the consolidated statement of comprehensive income for the year ended 31 March 2018 is as follows:

	Year ended 31 March 2018 HK$'000
Effect on consolidated statement of comprehensive income	
Decrease in depreciation	91
Increase in fair value gains on investment properties	2,184
Increase in income tax expenses	(137)
Increase in profit attributable to the owners of the Company	2,138
Increase in revaluation surplus upon transfers of property, plant and equipment to investment properties	7,097
Increase in basic earnings per share (HK cents)	0.27
Increase in diluted earnings per share (HK cents)	0.27

Please refer to Note 2.1.1(d) for details of the adjustments recognised in the consolidated balance sheet as at 31 March 2018.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(d) Impact on the consolidated financial statements

The following table shows the adjustments in relation to the change in accounting policy of investment properties from cost model to fair value model (Note 2.1.1(c)) and the adoption of HKFRS 15 (Note 2.1.1(a)(ii)) recognised for each individual line item in the consolidated balance sheet as at 31 March 2018 and 1 April 2018 (date of adoption of HKFRS 15):

	As at 31 March 2018, as originally presented HK$'000	Effect of the change in accounting policy of investment properties from cost model to fair value model HK$'000	As at 31 March 2018, as restated HK$'000	Effect of the adoption of HKFRS 15 HK$'000	As at 1 April 2018, as restated HK$'000
Consolidated balance sheet					
Investment properties	5,766	10,282	16,048	—	16,048
Deferred income tax assets	1,849	—	1,849	4,204	6,053
Amounts due from customers for contract works	164,448	—	164,448	(164,448)	—
Contract assets	—	—	—	125,242	125,242
Current income tax recoverable	1,291	—	1,291	3,322	4,613
Revaluation reserve	—	8,007	8,007	—	8,007
Retained earnings	55,878	2,127	58,005	(39,728)	18,277
Deferred income tax liabilities	328	148	476	(452)	24
Amounts due to customers for contract works	5,695	—	5,695	(5,695)	—
Contract liabilities	—	—	—	14,291	14,291
Trade and other payables and accruals	96,782	—	96,782	(224)	96,558
Current income tax payables	67	—	67	128	195

For the current reporting period, the application of HKFRS 15 as compared to HKAS 11 resulted in the increase in revenue, increase in cost of sales, derecognition of amounts due from/to customers for contract works, recognition of contract assets/liabilities and decrease in retained earnings. Saved as disclosed above, there is no other significant impact to the consolidated financial statements for the year ended 31 March 2019 in relation to the application of HKFRS 15 as compared to HKAS 11.

(e) Change in the presentation of the consolidated statement of comprehensive income

In the current year, following the continual expansion of the Group into the property development and investment business, the rental income of HK$333,000 (2018: HK$272,000) is reclassified to 'revenue' instead of being included under 'other income' in the consolidated statement of comprehensive income as in the previous years. The direct operating expenses arising from investment properties that generate the rental income of HK$91,000 (2018: HK$38,000) is reclassified to 'cost of sales' instead of being included under 'administrative expenses' in the consolidated statement of comprehensive income as in the previous years.

The management believes that the current presentation will provide more relevant information to the users of the financial information for the evaluation of the Group's operating performance. The comparative figures have been reclassified to conform with current year's presentation.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(b) Joint arrangements

Under HKFRS 11 'Joint Arrangements', investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Company has joint ventures.

Interests in joint ventures are accounted for using the equity method (see (c) below), after initially being recognised at cost in the consolidated balance sheet.

(c) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated statement of comprehensive income, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

2 Summary of Significant Accounting Policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(c) Equity accounting (Continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated statement of comprehensive income. This fair value becomes 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 HKFRS.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated statement of comprehensive income as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

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 remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of comprehensive income.

2 Summary of Significant Accounting Policies (Continued)

2.4 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.

2.5 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 make strategic decisions.

2.6 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 Hong Kong dollars ("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 income' or 'finance costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'administrative expenses'.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the consolidated statement of comprehensive income, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associated company that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to the consolidated statement of comprehensive income.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in the consolidated statement of comprehensive income. For all other partial disposals (that is, reductions in the Group's ownership interest in associated companies or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.7 Property, plant and equipment

All property, plant and equipment are 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.

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.

2.8 Investment properties

Property (including those under construction) 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. From 31 March 2019, after initial recognition, they are carried at fair value. Changes in fair values are presented in the consolidated statement of comprehensive income.

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.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.8 Investment properties (Continued)

Properties that are being constructed or developed for future use as investment property are classified as investment properties under construction. Investment properties under construction are initially stated at cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses, less any impairment losses. At the balance sheet date when fair value can be determined reliably, it is stated at fair value subsequent to initial recognition. Any difference between the fair value of the property at the date and its previous carrying amount is recognised in the consolidated statement of comprehensive income. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

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 fair value because of change in use, any decrease in the carrying amount of the property is recognised in the consolidated statement of comprehensive income. For any increase in the carrying amount of the property, the revaluation gain/surplus shall first reverse any previous impairment loss for that property in the consolidated statement of comprehensive income. The remaining portion of the increase is recognised in other comprehensive income and increases the revaluation reserve within equity. The revaluation reserve in equity may be transferred to retained earnings upon disposal of the investment property.

Accounting policies applied in previous reporting period

In previous reporting period, after initial recognition, investment properties are stated at cost less accumulated depreciation.

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

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.

2.9 Impairment of non-financial assets

Assets that are subjected 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.10 Financial assets

2.10.1 Classification

From 1 April 2018, the Group classifies its financial assets to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

2.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequent measurement depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of comprehensive income. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

2.10.4 Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and retention receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.10 Financial assets (Continued)

2.10.5 Accounting policies applied until 31 March 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 March 2018, the Group classifies its financial assets in 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.

- Reclassification

  Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made.

- Subsequent measurement

  The measurement at initial recognition did not change on adoption of HKFRS 9, see description above. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

- Impairment

  The Group assesses at each of the 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.

  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, 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 Summary of Significant Accounting Policies (Continued)

2.11 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.

2.12 Trade and retention receivables

Trade and retention receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and retention 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 retention receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and retention receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less provision for impairment allowance.

2.13 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.

2.14 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.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. 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 and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.16 Borrowings

Borrowings are initially recognised at fair values, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated statement of comprehensive income as 'other income' or 'finance costs'.

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.

2.17 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.

2.18 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.

2 Summary of Significant Accounting Policies (Continued)

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is provided in full, 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. Deferred income tax is also 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 substantially enacted at 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.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.19 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.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.19 Employee benefits (Continued)

(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.

2.20 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.

2.21 Revenue recognition

The Group provides construction and engineering services. Revenue is measured at the fair value of the consideration received or receivable for the services rendered in the ordinary course of the Group's activities under HKFRS 15. Revenue is recognised when or as the control of the service is transferred to the customers.

The control of the services rendered by the Group transfers over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

2 Summary of Significant Accounting Policies (Continued)

2.21 Revenue recognition (Continued)

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs; or

- direct measurements of the value transferred by the Group to the customer.

Construction costs are recognised as expenses by reference to the progress towards complete satisfaction of the performance obligation of the contract activity at balance sheet date. When it is probable that total construction costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of construction costs incurred that are likely to be recoverable.

Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the progress towards complete satisfaction of the performance obligation.

The Group accounts for a modification if the customers to a contract approve a change in the scope and/or the price of a contract. A contract modification is approved when the modification creates or changes the enforceable rights and obligations of the customers to the contract. If the customers have approved a change in scope, but have not yet determined the corresponding change in price, the Group estimates the change to the contract price as a variable consideration.

The estimated amount of the variable consideration is included in the contract price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable considerations is subsequently resolved.

2.22 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. In the consolidated balance sheet, the contract assets mainly consist of unbilled revenue arising from the construction contracts and contract liabilities mainly consist of the Group's obligations to transfer the control of performance obligation to the customers for which the Group has received consideration from the customers.

2.23 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.24 Rental income

Rental income from property development and investment business is recognised in the consolidated statement of comprehensive income on a straight-line basis over the period of the leases under HKAS 17.

2.25 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 the 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 the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.26 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.

2.27 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. The Group has no significant interest-bearing assets. The Group's interest rate risk primarily arises from borrowings and loan from a shareholder.

As at 31 March 2019, 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$494,000 (2018: HK$158,000). The 100 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next balance sheet date.

Notes to the Consolidated Financial Statements (Continued)

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 subsidiaries now comprising the Group, 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 2019, the Group did not have any outstanding hedging instruments (2018: same).

(c) Credit risk

The credit risk of the Group mainly arises from amounts due from investments accounted for using the equity method, amounts due from related companies, trade, retention and other receivables and deposits, contract assets, pledged deposits and bank balances.

The carrying amounts of amounts due from investments accounted for using the equity method (Notes 17 and 31), amounts due from related companies (Note 31), trade, retention and other receivables and deposits (Note 18), contract assets (Note 19(b)), pledged deposits (Note 20(b)) and bank balances (Note 20(a)) represent the Group's maximum exposure to credit risk.

(i) Risk management

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.

The Group trades only with recognised and creditworthy third parties. 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 2019 on trade receivables from the Group's top five customers amounting to approximately HK$35,466,000 (2018: HK$36,099,000), and accounted for 81% (2018: 77%) 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 investments accounted for using the equity method and related parties, the Group has policies in place to monitor the credit exposure of the investments accounted for using the equity method and related parties. The Group will assess the financial capabilities of the investments accounted for using the equity method and related parties including its financial outlook, its repayment histories, and its abilities to obtain financial support when necessary. 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 investment accounted for using the equity method and related parties is low.

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(ii) Impairment of financial assets and contract assets

Trade and retention receivables and contract assets from the provision of services by the Group are subject to the expected credit loss model. While bank balances, pledged deposits and other financial assets at amortised cost are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade and retention receivables and contract asset
The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and retention receivables and contract assets. The Group measures the expected credit losses on a combination of both individual and collective basis.

Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 March 2019, the balance of impairment allowance in respect of these individually assessed receivables was immaterial (1 April 2018: same).

Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying the expected credit loss rates to the respective gross carrying amounts of the receivables. The expected credit loss rates are determined based on historical credit losses experienced and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables.

The contract assets relate to unbilled contract work and have substantially the same risk characteristics as the trade and retention receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade and retention receivables are a reasonable approximation of the loss rates for the contract assets.

As at 31 March 2019, the provision of impairment allowance in respect of these collectively assessed receivables was immaterial based on weighted average expected credit loss rates up to 0.69% applied on different groupings, which does not have a material impact to the consolidated financial statements of the Group.

Bank balances, pledged deposits and other financial assets at amortised cost
There is no loss allowance for bank balances, pledged deposits and other financial assets at amortised cost as at 31 March 2019 (1 April 2018: same).

Notes to the Consolidated Financial Statements (Continued)

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(ii) Impairment of financial assets and contract assets (Continued)

Previous accounting policy for impairment of trade and retention receivables

In the prior year, the impairment of trade and retention receivables was assessed based on the incurred loss model. An allowance for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indication that the receivable is impaired.

When a trade and retention receivables is uncollectible, it is written off against the allowance account for trade and retention receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the consolidated statement of comprehensive income.

The impact on transition to HKFRS 9 on 1 April 2018 (date of adoption of HKFRS 9) as a result of applying the expected credit risk model was immaterial.

(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 2019, the Group held cash and cash equivalents of HK$4,582,000 (2018: HK$27,771,000), 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 long term financing including long-term 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.

As at 31 March 2019, the Group's total available banking facilities amounted to approximately HK$239,677,000 (2018: HK$115,081,000), of which approximately HK$194,858,000 (2018: HK$86,910,000), 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.

Notes to the Consolidated Financial Statements (Continued)

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

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 2019						
Loan from a shareholder						
— principal portion	**—**	**—**	**8,750**	**—**	**—**	**8,750**
— interest portion	**—**	**—**	**1,050**	**—**	**—**	**1,050**
Amount due to an investment accounted for using the equity method	**267**	**—**	**—**	**—**	**—**	**267**
Amount due to a related company	**444**	**—**	**—**	**—**	**—**	**444**
Trade and other payables and accruals	**—**	**160,996**	**—**	**—**	**—**	**160,996**
Obligations under finance leases	**—**	**536**	**162**	**222**	**—**	**920**
Borrowings:						
— principal portion	**130,229**	**—**	**—**	**—**	**—**	**130,229**
	130,940	**161,532**	**9,962**	**222**	**—**	**302,656**
As at 31 March 2018						
Amount due to an investment accounted for using the equity method	169	—	—	—	—	169
Trade and other payables and accruals	—	89,284	—	—	—	89,284
Obligations under finance leases	—	929	502	223	—	1,654
Borrowings:						
— principal portion	62,043	—	—	—	—	62,043
	62,212	90,213	502	223	—	153,150

Notes to the Consolidated Financial Statements (Continued)

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

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 2019					
Borrowings:					
— principal portion	**120,927**	**3,370**	**5,932**	**—**	**130,229**
— interest portion	**1,593**	**342**	**325**	**—**	**2,260**
	122,520	**3,712**	**6,257**	**—**	**132,489**
As at 31 March 2018					
Borrowings:					
— principal portion	61,391	334	318	—	62,043
— interest portion	95	20	7	—	122
	61,486	354	325	—	62,165

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 loan from a shareholder and obligations under finance leases) less cash and bank balances. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

Notes to the Consolidated Financial Statements (Continued)

3 Financial Risk Management (Continued)

3.2 Capital management (Continued)

As at 31 March 2018 and 2019, the gearing ratios were as follows:

	As at 31 March 2019 HK$'000	2018 HK$'000 (Restated) (Note 2.1.1)
Loan from a shareholder (Note 25)	**8,750**	—
Obligations under finance leases (Note 23)	**879**	1,572
Borrowings (Note 25)	**130,229**	62,043
Less: cash and bank balances (Note 20(a))	**(19,747)**	(30,682)
Net debt	**120,111**	32,933
Total equity	**142,009**	163,592
Total capital	**262,120**	196,525
Gearing ratio	**46%**	17%

3.3 Fair value estimation

The carrying amounts of the Group's financial assets approximate to their fair values due to their short-term maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

Notes to the Consolidated Financial Statements (Continued)

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) Measurement of progress towards complete satisfaction of performance obligation and contract modification

The Group recognises its revenue from construction contract according to the progress towards complete satisfaction of the performance obligation. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs; or direct measurements of the value transferred by the Group to the customer. 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, construction costs and amount of contract modifications 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. Where applicable, management will obtain written opinion from the Group's external industry expert in concluding the likelihood and the amount which would be recovered from the project. Such significant estimate may have impact on the profit recognised in each period.

(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 contract modifications as compared to management's budget and such estimated foreseeable losses will be recognised immediately in the consolidated statement of comprehensive income. Such significant estimate may have impact on the profit recognised in each period.

(c) Fair value of investment properties

The fair value of investment properties is determined by using various valuation techniques. Details of the judgement and assumptions have been disclosed in Note 13.

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.

Due to continual expansion of the Group into the property development and investment business, management has changed its internal organisation structure to align more closely with the Group's strategic decision and market dynamics to better serve customers. In particular, a separate business unit has been set up for property development and investment business. The Group has adopted the new organisation structure as the reporting format effective for the year ended 31 March 2019. The comparative segment information has been restated to reflect the current organisation structure.

The Group is organised into two main operating segments in these internal reports:

(a) Construction and engineering services — principally engaged in the provision of (i) building construction services; (ii) alternation, addition, fitting-out works and building services; and (iii) repair and restoration of historic buildings in Hong Kong; and

(b) Property development and investment — principally engaged in the property development and investment business in Hong Kong and other countries in Asia-Pacific region.

The management assesses the performance of the operating segments based on a measure of adjusted earnings before interest expense, taxes, depreciation and amortisation ("EBITDA").

Notes to the Consolidated Financial Statements (Continued)

5 Segment Information (Continued)

An analysis of the Group's revenue and results for the year by operating segment is as follows:

	Construction and engineering services HK$'000	Property development and investment HK$'000	Total Group HK$'000
Year ended 31 March 2019			
Segment turnover	**491,506**	**333**	**491,839**
Segmental EBITDA (excluding fair value gains on investment properties and share of results of investments accounted for using the equity method)	**25,028**	**242**	**25,270**
Depreciation	**(2,811)**	**–**	**(2,811)**
Fair value gains on investment properties	**–**	**1,200**	**1,200**
Share of results of investments accounted for using the equity method	**–**	**(769)**	**(769)**
Segmental operating profit	**22,217**	**673**	**22,890**
Finance costs, net			**(5,815)**
Profit before income tax			**17,075**
Income tax expenses			**(2,409)**
Profit attributable to the owners of the Company			**14,666**
Year ended 31 March 2018 (Restated)			
Segment turnover	531,855	272	532,127
Segmental EBITDA (excluding fair value gains on investment properties and share of results of investments accounted for using the equity method)	24,023	234	24,257
Depreciation	(3,394)	–	(3,394)
Fair value gains on investment properties	–	2,184	2,184
Share of results of investments accounted for using the equity method	–	(209)	(209)
Segmental operating profit	20,629	2,209	22,838
Finance costs, net			(2,691)
Profit before income tax			20,147
Income tax expenses			(4,560)
Profit attributable to the owners of the Company			15,587

Notes to the Consolidated Financial Statements (Continued)

5 Segment Information (Continued)

The segment assets and liabilities at 31 March 2019 and additions to non-current assets for the year ended 31 March 2019 are as follows:

	Construction and engineering services HK$'000	Property development and investment HK$'000	Total Group HK$'000
As at 31 March 2019			
Segment assets	**398,229**	**60,526**	**458,755**
Segment liabilities	**316,479**	**267**	**316,746**
Year ended 31 March 2019			
Additions to non-current assets (excluding investments accounted for using the equity method, deferred income tax assets and long-term deposits)	**709**	**—**	**709**

The segment assets and liabilities at 31 March 2018 and additions to non-current assets for the year ended 31 March 2018 are as follows:

	Construction and engineering services HK$'000	Property development and investment HK$'000	Total Group HK$'000
As at 31 March 2018 (Restated)			
Segment assets	312,547	17,849	330,396
Segment liabilities	166,635	169	166,804
Year ended 31 March 2018 (Restated)			
Additions to non-current assets (excluding investments accounted for using the equity method, deferred income tax assets and long-term deposits)	817	—	817

During the year, additions to non-current assets comprise additions to property, plant and equipment (2018: same).

Information provided to the management is measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment.

Notes to the Consolidated Financial Statements (Continued)

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$491,839,000 (2018: HK$532,127,000 (Restated)) are derived from external customers in Hong Kong for the year ended 31 March 2019.

For the year ended 31 March 2019, there were 2 customers from the construction and engineering operating segment (2018: 3 customers from the construction and engineering operating segment), which individually contributed over 10% of the Group's total revenue. During the years ended 31 March 2018 and 2019, the revenue contributed from each of these customers was as follows:

	Year ended 31 March 2019 HK$'000
Customer A	**132,157**
Customer B	**120,385**

	Year ended 31 March 2018 HK$'000
Customer C	254,873
Customer D	69,207
Customer A	62,734

Notes to the Consolidated Financial Statements (Continued)

6 Revenue and Other Income

The Group's revenue and other income recognised during the years ended 31 March 2018 and 2019 are as follows:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
		(Restated)
		(Note 2.1.1)
Revenue:		
Provision of construction and engineering services		
— Building construction services	**66,650**	309,510
— Alteration, addition, fitting-out works and building services	**409,834**	212,455
— Repair and restoration of historic buildings	**15,022**	9,890
	491,506	531,855
Property development and investment		
— Rental income	**333**	272
	491,839	532,127
Other income:		
— Sundry income	**563**	517

7 Other Gains/(Losses), Net

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Gains/(losses) on disposals of property, plant and equipment, net (Note 28(b))	**31**	(105)

Notes to the Consolidated Financial Statements (Continued)

8 Expenses by Nature

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

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000 (Restated) (Note 2.1.1)
Construction cost recognised in cost of sales	**429,146**	460,315
Auditor's remuneration		
— Audit services	**1,635**	1,750
— Non-audit services	**165**	108
Depreciation of property, plant and equipment (Note 14)	**2,811**	3,394
Employee benefit expenses recognised in administrative expenses (including directors' emoluments) (Note 9)	**17,623**	19,359
Operating lease rentals in respect of car parking spaces, office premises and warehouses	**3,632**	3,134
Staff welfare and messing	**571**	3,648
Motor vehicle expenses	**1,715**	2,887
Legal and professional fees	**2,915**	2,447
Listing expenses	**—**	821
Building management fees	**878**	975
Travelling expenses	**386**	2,767
Others	**8,497**	10,071
Total cost of sales and administrative expenses	**469,974**	511,676

Notes to the Consolidated Financial Statements (Continued)

9 Employee Benefit Expenses

	Year ended 31 March 2019 HK$'000	2018 HK$'000
Wages, salaries and benefits in kind (including directors' emoluments)	**70,265**	115,906
Bonuses	**3,005**	6,041
Retirement benefit costs — defined contribution plans	**2,755**	4,414
Other long-term employee benefits	**—**	153
	76,025	126,514
Less: amounts included in construction contracts costs or capitalised in work-in-progress	**(58,402)**	(107,155)
Amounts included in administrative expenses	**17,623**	19,359

Five highest paid individuals

For the year ended 31 March 2019, the five individuals whose emoluments were the highest in the Group include 2 (2018: 2) directors, whose emolument is reflected in the analysis in Note 33. The emoluments paid/payable to the remaining 3 (2018: 3) individuals during the years ended 31 March 2018 and 2019 are as follows:

	Year ended 31 March 2019 HK$'000	2018 HK$'000
Wages, salaries and benefits in kind	**2,165**	2,516
Bonuses	**235**	692
Retirement benefit costs — defined contribution plans	**54**	54
	2,454	3,262

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

	Year ended 31 March 2019	2018
Emolument bands		
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**—**	1

During the years ended 31 March 2018 and 2019, 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.

Notes to the Consolidated Financial Statements (Continued)

10 Finance Income and Costs

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Interest income:		
— Bank interest income	**101**	84
Foreign exchange gains, net	**—**	51
Finance income	**101**	135
Interest expenses:		
— Borrowings	**(5,777)**	(2,720)
— Obligations under finance leases	**(70)**	(106)
Foreign exchange losses, net	**(69)**	—
Finance costs	**(5,916)**	(2,826)
Finance costs, net	**(5,815)**	(2,691)

11 Income Tax Expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year ended 31 March 2019.

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

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
		(Restated)
		(Note 2.1.1)
Current tax:		
Hong Kong profits tax on profits for the year	**2,584**	4,221
(Over)/under-provision in prior years	**(214)**	1,285
Total current tax expenses	**2,370**	5,506
Deferred income tax (Note 26)	**39**	(946)
Income tax expenses	**2,409**	4,560

Notes to the Consolidated Financial Statements (Continued)

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 2019 HK$'000	2018 HK$'000 (Restated) (Note 2.1.1)
Profit before income tax	**17,075**	20,147
Tax calculated at 16.5%	**2,817**	3,324
Income not subject to tax	**(211)**	(366)
Expenses not deductible for tax purposes	**182**	317
Effect of different tax rate of a subsidiary (Note)	**(165)**	—
(Over)/under-provision in prior years	**(214)**	1,285
Income tax expenses	**2,409**	4,560

Note: On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporation under Hong Kong profits tax will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%.

For the year ended 31 March 2019, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The assessable profits of other entities of the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5%.

12 Earnings Per Share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 March 2019	2018 (Restated) (Note 2.1.1)
Earnings:		
Profit attributable to the owners of the Company (HK$'000)	**14,666**	15,587
Number of shares:		
Weighted average number of ordinary shares in issue (thousands)	**800,000**	796,712
Basic earnings per share (HK cents)	**1.83**	1.96

Notes to the Consolidated Financial Statements (Continued)

12 Earnings Per Share (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive shares.

For the year ended 31 March 2019, diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive share outstanding during the year.

For the year ended 31 March 2018, the Company has one category of potentially dilutive shares, the over-allotment option ("Over-allotment Option"). Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period from the listing date (7 April 2017) to the lapse date of the Over-allotment Option (27 April 2017)) based on the monetary value of the subscription right attached to outstanding Over-allotment Option. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the Over-allotment Option.

	Year ended 31 March 2018 (Restated) (Note 2.1.1)
Earnings:	
Profit attributable to the owners of the Company (HK$'000)	15,587
Number of shares:	
Weighted average number of ordinary shares in issue (thousands)	796,712
Effect of potentially dilutive shares from Over-allotment Option granted	28
Weighted average number of ordinary shares in issue for the purpose of calculating diluted earnings per share (thousands)	796,740
Diluted earnings per share (HK cents)	1.96

Notes to the Consolidated Financial Statements (Continued)

13 Investment Properties

	For the year ended 31 March		
	2019	2018	2017
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
		(Note 2.1.1)	(Note 2.1.1)
At beginning of the year, as originally presented	**5,766**	654	—
Change in accounting policy of investment properties from cost model to fair value model (Note 2.1.1(c))	**10,282**	910	—
At beginning of the year, as restated	**16,048**	1,564	—
Transferred from property, plant and equipment (Note 14)	**5,362**	12,300	1,564
Fair value gains on investment properties (Note)	**1,200**	2,184	—
At end of the year, as restated	**22,610**	16,048	1,564

Note:

Fair value measurements using significant unobservable inputs (Level 3)

The investment properties of the Group represent industrial property units and a car park space located in Hong Kong with following details.

	As at 31 March		
	2019	2018	2017
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
		(Note 2.1.1)	(Note 2.1.1)
Industrial property units located in Hong Kong	**19,860**	14,048	1,564
Car park space located in Hong Kong	**2,750**	2,000	—
	22,610	16,048	1,564

As at 31 March 2018 and 2019, the investment properties located at Unit 4 of 3/F, Unit 12 of 9/F, and car park space V10 and ancillary space on G/F, Sun Fung Centre, No. 88 Kwok Shui Road, Tsuen Wan, New Territories, Hong Kong. As at 31 March 2017, the investment property located at Unit 4 of 3/F Sun Fung Centre, No. 88 Kwok Shui Road, Tsuen Wan, New Territories, Hong Kong. The fair value as at 31 March 2019 was assessed by an independent and professionally qualified valuer, PSA (HK) Surveyors Limited.

The valuations were determined using the direct comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach are adjusted market price per square foot and adjusted market price per car park space.

Notes to the Consolidated Financial Statements (Continued)

13 Investment Properties (Continued)

Note: (Continued)

Fair value measurements using significant unobservable inputs (Level 3) (Continued)

(a) Industrial property units located in Hong Kong

The key unobservable inputs used in the valuation of the industrial property units located in Hong Kong as at 31 March 2017, 2018 and 2019 are:

Valuation technique	Unobservable inputs	As at 31 March 2019	2018	2017
Direct comparison approach	Unit selling prices of comparables	**Ranged from HK$4,710 to HK$4,810 per square foot**	Ranged from HK$4,580 to HK$4,660 per square foot	HK$4,170 per square foot

As at 31 March 2019, if the unit selling prices of comparables decreased by 5%, the impact on profit or loss would be HK$726,000 (2018: HK$702,000) lower. The lower the unit selling prices of comparables, the lower the fair value.

(b) Car park space located in Hong Kong

The key unobservable inputs used in the valuation of the car park space located in Hong Kong as at 31 December 2017, 2018 and 2019 are:

Valuation technique	Unobservable inputs	As at 31 March 2019	2018	2017
Direct comparison approach	Unit selling prices of comparables	**HK$2,750,000 per car park space**	HK$2,000,000 per car park space	N/A

As at 31 March 2019, if the unit selling prices of comparables decreased by 5%, the impact on profit or loss would be HK$138,000 (2018: HK$100,000) lower. The lower the unit selling prices of comparables, the lower the fair value.

There were no transfers of investment properties between the fair value hierarchy classification during the year (2018: same).

As at 31 March 2019, the Group has no unprovided contractual obligations for future repairs and maintenance (2018: Nil, 2017: Nil).

Notes to the Consolidated Financial Statements (Continued)

13 Investment Properties (Continued)

The following amounts have been recognised in the consolidated statement of comprehensive income:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
		(Restated)
		(Note 2.1.1)
Rental income	**333**	272
Fair value gains on investment properties	**1,200**	2,184
Direct operating expenses arising from investment properties that generate rental income	**(91)**	(38)

There were no direct operating expenses arising from investment property that did not generate rental income during the year (2018: same).

The period of leases whereby the Group leases out its investment properties under operating leases are ranged from 6 months to 3 years (2018: same).

As at 31 March 2019, the Group's investment properties amounting to HK$22,610,000 (2018: HK$3,718,000 (Restated), 2017: HK$1,564,000 (Restated)) 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 2019, property, plant and equipment of HK$1,861,000 (2018: HK$5,203,000, 2017: HK$654,000) has been reclassified to investment properties as a result of change in usage. The fair value of the land and building at the date of transfer was HK$5,362,000 (2018: HK$12,300,000 (Restated), 2017: HK$1,564,000 (Restated)), resulting in recognition of revaluation surplus of HK$3,501,000 (2018: HK$7,097,000 (Restated), 2017: HK$910,000 (Restated)) in other comprehensive income and accumulated in revaluation reserve.

Notes to the Consolidated Financial Statements (Continued)

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 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
Year ended 31 March 2018						
Opening net book amount	7,286	2,792	1,131	3,881	575	15,665
Additions	—	—	60	743	14	817
Transferred to investment properties (Note 13)	(5,203)	—	—	—	—	(5,203)
Disposals (Note 28(b))	—	—	—	(247)	—	(247)
Depreciation (Note 8)	(160)	(940)	(436)	(1,597)	(261)	(3,394)
Closing net book amount	1,923	1,852	755	2,780	328	7,638
Balance at 31 March 2018						
Cost	2,294	4,230	2,821	7,353	1,198	17,896
Accumulated depreciation	(371)	(2,378)	(2,066)	(4,573)	(870)	(10,258)
Net book amount	1,923	1,852	755	2,780	328	7,638

Notes to the Consolidated Financial Statements (Continued)

14 Property, Plant and Equipment (Continued)

	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
Year ended 31 March 2019						
Opening net book amount	1,923	1,852	755	2,780	328	7,638
Additions	—	—	—	709	—	709
Transferred to investment properties (Note 13)	(1,861)	—	—	—	—	(1,861)
Disposals (Note 28(b))	—	—	—	(719)	—	(719)
Depreciation (Note 8)	(62)	(861)	(350)	(1,360)	(178)	(2,811)
Closing net book amount	—	991	405	1,410	150	2,956
Balance at 31 March 2019						
Cost	—	4,230	2,821	6,006	1,198	14,255
Accumulated depreciation	—	(3,239)	(2,416)	(4,596)	(1,048)	(11,299)
Net book amount	—	991	405	1,410	150	2,956

During the year ended 31 March 2019, property, plant and equipment of HK$1,861,000 (2018: HK$5,203,000, 2017: HK$654,000) has been reclassified to investment properties as a result of change in usage. The fair value of the land and building at the date of transfer was HK$5,362,000 (2018: HK$12,300,000 (Restated), 2017: HK$1,564,000 (Restated)), resulting in recognition of revaluation surplus of HK$3,501,000 (2018: HK$7,097,000 (Restated), 2017: HK$910,000 (Restated)) in other comprehensive income and accumulated in revaluation reserve.

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

	Year ended 31 March 2019 HK$'000	2018 HK$'000
Cost of sales	**178**	261
Administrative expenses	**2,633**	3,133
	2,811	3,394

The Group leases various motor vehicles under non-cancellable finance lease agreements. As at 31 March 2019, the original lease terms are ranged from 3 to 4.5 years (2018: same) and ownership of the assets belong to the Group (2018: same). As at 31 March 2019, motor vehicles of the Group with net carrying value of HK$1,179,000 (2018: HK$1,837,000), were held under finance leases.

As at 31 March 2018, the Group's land and buildings amounting to HK$1,923,000, were pledged as collateral for the Group's bank borrowings, details of which are set out in Note 25.

Notes to the Consolidated Financial Statements (Continued)

15 Financial Instruments by Category

	Financial assets at amortised cost HK$'000
As at 31 March 2019	
Assets as per consolidated balance sheet	
Amounts due from investments accounted for using the equity method	37,916
Amounts due from related companies	2,393
Trade, retention and other receivables and deposits	91,486
Pledged deposits	26,026
Cash and bank balances	19,747
Total	177,568

	Financial liabilities at amortised cost HK$'000
As at 31 March 2019	
Liabilities as per consolidated balance sheet	
Loan from a shareholder	8,750
Amount due to an investment accounted for using the equity method	267
Amount due to a related company	444
Trade and other payables and accruals	160,996
Obligations under finance leases	879
Borrowings	130,229
Total	301,565

	Loans and receivables HK$'000
As at 31 March 2018	
Assets as per consolidated balance sheet	
Amount due from an investment accounted for using the equity method	1,010
Amounts due from related companies	3,135
Trade, retention and other receivables and deposits	86,488
Pledged deposits	16,013
Cash and bank balances	30,682
Total	137,328

Notes to the Consolidated Financial Statements (Continued)

15 Financial Instruments by Category (Continued)

	Financial liabilities at amortised cost HK$'000
As at 31 March 2018	
Liabilities as per consolidated balance sheet	
Amount due to an investment accounted for using the equity method	169
Trade and other payables and accruals	89,284
Obligations under finance leases	1,572
Borrowings	62,043
Total	153,068

16 Subsidiaries

The following is a list of the principal subsidiaries at 31 March 2019:

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	14,700,000 ordinary shares HK$14,700,000	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%

Notes to the Consolidated Financial Statements (Continued)

17 Investments Accounted for Using the Equity Method and Amounts Due from/to Investments Accounted for Using the Equity Method

(a) Investments accounted for using the equity method

Set out below are the joint ventures of the Group as at 31 March 2019, Popsible Development Limited ("Popsible Development") and Popsible Hospitality Management Limited ("Popsible Hospitality"). These joint ventures have share capital consisting solely of ordinary shares, which are held directly by the Group.

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued share capital	Proportion of ordinary shares directly held by the Group
Popsible Development Limited	Hong Kong, limited liability company	Property development, Japan	1,000,000 ordinary shares HK$1,000,000	70%
Popsible Hospitality Management Limited	Hong Kong, limited liability company	Hotel management, Japan	1,000,000 ordinary shares HK$1,000,000	30%

These joint ventures are accounted for using the equity method. There are no contingent liabilities and commitments to provide funding relating to the Group's interest in these joint ventures. None of these joint ventures are individually material.

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Aggregate carrying amounts of individually immaterial joint ventures	**–**	791

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Aggregate amount of the Group's share of results for the year	**(769)**	(209)
Aggregate amount of the Group's share of other comprehensive loss for the year	**(22)**	–

Notes to the Consolidated Financial Statements (Continued)

17 Investments Accounted for Using the Equity Method and Amounts Due from/to Investments Accounted for Using the Equity Method (Continued)

(a) Investments accounted for using the equity method (Continued)

The interests in joint ventures were initially measured at fair value. The carrying amounts were increased or decreased to recognise the Group's share of the profits or loss and movements in other comprehensive income or loss of the interests in joint ventures to the extent the carrying amounts of the interests in joint ventures reduced to nil due to losses, after the initial recognition. As at 31 March 2019, the Group's share of loss of Popsible Development and Popsible Hospitality exceeded its interests in the ordinary shares of Popsible Development and Popsible Hospitality. As at 31 March 2019, the unrecognised share of loss of the interests in Popsible Development and Popsible Hospitality are HK$7,678,000 and HK$103,000 respectively.

These joint ventures are private companies and there is no quoted market price available for its shares.

(b) Amounts due from investments accounted for using the equity method

The amounts due from investments accounted for using the equity method during the year is as follows:

	For the year ended 31 March	
	2019	2018
	HK$'000	HK$'000
At beginning of the year	**1,010**	—
Cash advanced	**36,885**	1,715
Repayments received	**—**	(705)
Management fee charged	**21**	—
At end of the year	**37,916**	1,010

(c) Amount due to an investment accounted for using the equity method

The amount due to an investment accounted for using the equity method during the year is as follows:

	For the year ended 31 March	
	2019	2018
	HK$'000	HK$'000
At beginning of the year	**169**	—
Cash advanced	**98**	169
At end of the year	**267**	169

Notes to the Consolidated Financial Statements (Continued)

18 Trade, Retention and Other Receivables, Deposits and Prepayments

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Current portion		
Trade receivables (Note (a))	43,770	47,151
Retention receivables (Note (b))	43,329	34,956
	87,099	82,107
Prepayments, deposits and other receivables:		
Prepayments	3,619	1,003
Deposits	1,768	2,140
Other receivables	2,539	1,581
	7,926	4,724
	95,025	86,831
Non-current portion		
Long-term deposits	80	660
Total	95,105	87,491

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

Notes to the Consolidated Financial Statements (Continued)

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	
	2019	2018
	HK$'000	HK$'000
Less than 30 days	**25,383**	42,512
31–60 days	**13,324**	1,282
61–90 days	**446**	1,440
Over 90 days	**4,617**	1,917
	43,770	47,151

The Group does not hold any collateral as security.

(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	
	2019	2018
	HK$'000	HK$'000
Will be recovered within twelve months	**10,609**	4,666
Will be recovered more than twelve months after the end of the year	**32,720**	30,290
	43,329	34,956

The Group does not hold any collateral as security.

Notes to the Consolidated Financial Statements (Continued)

19 Amounts Due from/(to) Customers for Contract Works and Contract Assets/(Liabilities)

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

	As at 31 March 2018 HK$'000
Contract costs incurred plus recognised profits less recognised losses	1,392,199
Less: progress billings	(1,233,446)
Balance at end of year	158,753
Analysed for reporting purposes as:	
Amounts due from customers for contract works	164,448
Amounts due to customers for contract works	(5,695)
	158,753

(b) Contract assets/(liabilities)

	As at	
	31 March 2019 HK$'000	1 April 2018 HK$'000 (Restated) (Note 2.1.1)
Contract assets relating to construction contracts	**242,257**	125,242
Contract liabilities relating to construction contracts	**(7,867)**	(14,291)

Notes to the Consolidated Financial Statements (Continued)

19 Amounts Due from/(to) Customers for Contract Works and Contract Assets/(Liabilities) (Continued)

(b) Contract assets/(liabilities) (Continued)

(i) Significant changes in contract assets and liabilities

Contract assets have increased as the Group has provided more construction services ahead of the right to payment upon receiving certification from quantity surveyors for fixed-price contracts. The Group also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. As at 31 March 2019, the identified impairment loss was immaterial.

Contract liabilities for the construction contracts were decreased due to the negotiation of smaller prepayments on overall contract activities.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised during the year ended 31 March 2019 relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in previous periods.

	For the year ended 31 March 2019 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	**11,924**

(iii) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from fixed-price long-term construction contracts.

	As at	
	31 March 2019 HK$'000	1 April 2018 HK$'000
Aggregate amount of the transaction price allocated to long-term construction contracts that are partially or fully unsatisfied	**257,903**	654,049

Management expects that the transaction prices regarding the unsatisfied contracts as of 31 March 2019 will be recognised as revenue during the next corresponding reporting periods by referencing to the progress toward complete satisfaction of the performance obligations. The amount disclosed above does not include consideration which is constrained.

Notes to the Consolidated Financial Statements (Continued)

20 Cash and Bank Balances and Pledged Deposits

(a) Cash and bank balances

	As at 31 March 2019 HK$'000	2018 HK$'000
Cash at bank	**19,014**	29,964
Cash on hand	**266**	216
Time deposit with original maturity of less than 3 months	**467**	502
Cash and bank balances	**19,747**	30,682

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

	As at 31 March 2019 HK$'000	2018 HK$'000
HK$	**18,976**	29,848
Australian dollars	**467**	502
US dollars	**21**	21
Euro	**282**	310
Other currencies	**1**	1
	19,747	30,682

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

	As at 31 March 2019 HK$'000	2018 HK$'000
Cash and bank balances	**19,747**	30,682
Less: bank overdrafts (Note 25)	**(15,165)**	(2,911)
Net cash and cash equivalents in the consolidated statement of cash flows	**4,582**	27,771

The bank balances generate interest at prevailing market interest rates.

(b) Pledged deposits

As at 31 March 2019, deposits amounted to HK$26,026,000 (2018: HK$16,013,000), were pledged to the facilities granted by bank to the Group, details of which are set out in Note 25.

Notes to the Consolidated Financial Statements (Continued)

21 Share Capital and Share Premium

	No. of ordinary shares	Nominal value of ordinary shares HK$'000
Authorised:		
At 1 April 2017, At 31 March 2018, 1 April 2018 and 31 March 2019, at HK$0.1 each	2,000,000,000	200,000

	No. of ordinary shares	Nominal value of ordinary shares HK$'000	Share premium HK$'000
Issued and fully paid:			
At 1 April 2017	10,000	1	—
Shares issued pursuant to the Capitalisation Issue (Note i)	599,990,000	59,999	(59,999)
Shares issued pursuant to the share offer in the Listing (Note ii)	200,000,000	20,000	84,000
Share issuance costs	—	—	(11,210)
At 31 March 2018, 1 April 2018 and 31 March 2019	800,000,000	80,000	12,791

Note i:

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 (the "Capitalisation Issue").

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's share premium account.

Note ii:

On 7 April 2017, the shares of the Company were listed on the Main Board of the Stock Exchange (the "Listing"). 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 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.

Notes to the Consolidated Financial Statements (Continued)

22 Reserves

The reserves movement of the Group is as follows:

	Share premium	Other reserves (Note)	Revaluation reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 31 March 2017, as originally presented	—	4,789	—	44,829	49,618
Change in accounting policy of investment properties from cost model to fair value model (Note 2.1.1(c))	—	—	910	(11)	899
Balance at 31 March 2017, as restated	—	4,789	910	44,818	50,517
Comprehensive income					
Profit for the year, as restated	—	—	—	15,587	15,587
Other comprehensive income					
Revaluation surplus upon transfers of property, plant and equipment to investment properties, as restated (Note 14)	—	—	7,097	—	7,097
Total comprehensive income	—	—	7,097	15,587	22,684
Transactions with owners					
Dividends (Note 27)	—	—	—	(2,400)	(2,400)
Capitalisation Issue (Note 21)	(59,999)	—	—	—	(59,999)
Issue of shares upon share offer in the Listing (Note 21)	84,000	—	—	—	84,000
Share issuance costs (Note 21)	(11,210)	—	—	—	(11,210)
Total transactions with owners, recognised directly in equity	12,791	—	—	(2,400)	10,391
Balance at 31 March 2018, as restated	12,791	4,789	8,007	58,005	83,592

Notes to the Consolidated Financial Statements (Continued)

22 Reserves (Continued)

	Share premium	Other reserves (Note)	Revaluation reserve	Exchange reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 31 March 2018, as originally presented	12,791	4,789	—	—	55,878	73,458
Change in accounting policy of investment properties from cost model to fair value model (Note 2.1.1(c))	—	—	8,007	—	2,127	10,134
Balance at 31 March 2018, as restated	12,791	4,789	8,007	—	58,005	83,592
Change in accounting policy in relation to the adoption of HKFRS 15 (Note 2.1.1(a)(ii))	—	—	—	—	(39,728)	(39,728)
Balance at 1 April 2018, as restated	**12,791**	**4,789**	**8,007**	**—**	**18,277**	**43,864**
Comprehensive income						
Profit for the year	**—**	**—**	**—**	**—**	**14,666**	**14,666**
Other comprehensive income/ (loss)						
Share of other comprehensive loss of investments accounted for using the equity method	**—**	**—**	**—**	**(22)**	**—**	**(22)**
Revaluation surplus upon transfers of property, plant and equipment to investment properties (Note 14)	**—**	**—**	**3,501**	**—**	**—**	**3,501**
Total comprehensive income/ (loss)	**—**	**—**	**3,501**	**(22)**	**14,666**	**18,145**
Balance at 31 March 2019	**12,791**	**4,789**	**11,508**	**(22)**	**32,943**	**62,009**

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.

Notes to the Consolidated Financial Statements (Continued)

23 Obligations Under Finance Leases

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

	Minimum lease payments As at 31 March	
	2019	2018
	HK$'000	HK$'000
Within one year	**536**	929
After 1 year but within 2 years	**162**	502
After 2 years but within 5 years	**222**	223
	920	1,654
Less: future finance charges	**(41)**	(82)
Present value of obligations under finance leases	**879**	1,572

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

	Present value of minimum lease payments As at 31 March	
	2019	2018
	HK$'000	HK$'000
Within one year	**512**	876
After 1 year but within 2 years	**151**	482
After 2 years but within 5 years	**216**	214
	879	1,572

The Group leases certain of its property, plant and equipment under finance leases. The original lease terms entered by the Group for the leases outstanding as at 31 March 2019 are ranged from 3 to 4.5 years (2018: same). 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 4.0% to 6.6% per annum as at 31 March 2019 (2018: 2.9% to 6.6% per annum).

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

Notes to the Consolidated Financial Statements (Continued)

24 Trade and Other Payables and Accruals

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Trade payables (Note (a))	**122,568**	64,965
Bills payables (Note (b))	**34,746**	21,506
	157,314	86,471
Other payables and accruals (Note (c))	**10,628**	10,311
	167,942	96,782

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	
	2019	2018
	HK$'000	HK$'000
Less than 30 days	**48,368**	33,832
31–60 days	**21,951**	15,787
61–90 days	**15,166**	2,892
Over 90 days	**37,083**	12,454
	122,568	64,965

Notes to the Consolidated Financial Statements (Continued)

24 Trade and Other Payables and Accruals (Continued)

(b) Bills payables

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

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

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Due within 30 days	**8,232**	4,948
Due within 31 to 60 days	**10,179**	11,790
Due within 61 to 90 days	**15,735**	4,768
Due over 90 days	**600**	—
	34,746	21,506

(c) Other payables and accruals

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Accrued staff costs and pension obligations	**6,946**	7,274
Accrued expenses	**3,373**	2,746
Other payables	**309**	291
	10,628	10,311

25 Borrowings and Loan from a Shareholder

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Bank borrowings	**115,064**	59,132
Bank overdrafts (Note 20)	**15,165**	2,911
Total bank borrowings and overdrafts (Note (i))	**130,229**	62,043
Loan from a shareholder (Note (ii))	**8,750**	—

Notes to the Consolidated Financial Statements (Continued)

25 Borrowings and Loan from a Shareholder (Continued)

Note i:

The Group's borrowings were repayable as follows:

	As at 31 March 2019 HK$'000	2018 HK$'000
Portion due for repayment within 1 year	**120,927**	61,391
Portion due for repayment between 1 and 2 years with a repayment on demand clause	**3,370**	334
Portion due for repayment between 2 and 5 years with a repayment on demand clause	**5,932**	318
	130,229	62,043

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

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

	As at 31 March 2019 HK$'000	2018 HK$'000
Within 1 year	**105,762**	58,480
Between 1 and 2 years	**3,370**	334
Between 2 and 5 years	**5,932**	318
	115,064	59,132

As at 31 March 2019, the bank borrowings facilities granted to the Group are secured by the following:

(a) Pledged deposits of HK$26,026,000 (Note 20(b));

(b) The Group's investment properties amounting to HK$22,610,000 (Note 13); and

(c) Corporate guarantees executed by the Company and certain subsidiaries of the Group.

Notes to the Consolidated Financial Statements (Continued)

25 Borrowings and Loan from a Shareholder (Continued)

Note i: (Continued)

As at 31 March 2018, the bank borrowings facilities granted to the Group are secured by the following:

(a) Pledged deposits of HK$16,013,000 (Note 20(b));

(b) The Group's investment properties amounting to HK$3,718,000 (Restated) (Note 13);

(c) The Group's land and building amounting to HK$1,923,000 (Note 14);

(d) A pledged property of a related company located in Hong Kong; and

(e) Corporate guarantees executed by 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 4.4% per annum (2018: 4.2% per annum) as at 31 March 2019.

As at 31 March 2018 and 2019, the exposure of the Group's borrowings to interest rate changes and the contractual repricing date at balance sheet date are as follows:

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Within 6 months	**107,612**	52,250
Between 6 and 12 months	**10,000**	8,819
Between 1 and 5 years	**12,617**	974
	130,229	62,043

The carrying amounts of the Group's borrowings are denominated in HK$.

As at 31 March 2019, total undrawn bank facilities amounted to approximately HK$44,819,000 (2018: HK$28,171,000).

Note ii:

These balances are unsecured, interest bearing at 6% per annum or at 0.75% plus prime rate per annum, whichever is higher, repayable by 14 March 2021 and denominated in HK$.

Notes to the Consolidated Financial Statements (Continued)

26 Deferred Income Tax

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

	As at 31 March		
	2019	2018	2017
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
		(Note 2.1.1)	(Note 2.1.1)
Deferred income tax assets:			
Recoverable after more than 12 months	**494**	1,849	1,335
Deferred income tax liabilities:			
Recoverable after more than 12 months	**(362)**	(476)	(908)

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

	For the year ended 31 March		
	2019	2018	2017
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
		(Note 2.1.1)	(Note 2.1.1)
At beginning of the year, as originally presented	**1,521**	438	(272)
Change in accounting policy of investment properties from cost model to fair value model (Note 2.1.1(c))	**(148)**	(11)	—
	1,373	427	(272)
Change in accounting policy in relation to the adoption of HKFRS 15 (Note 2.1.1(a)(ii))	**4,656**	—	—
At beginning of the year, as restated	**6,029**	427	(272)
(Charged)/credited to consolidated statement of comprehensive income	**(39)**	946	699
Transferred to current income tax recoverable/payable (Note)	**(5,858)**	—	—
At end of the year, as restated	**132**	1,373	427

Notes to the Consolidated Financial Statements (Continued)

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 income tax liabilities	Accelerated tax depreciation HK$'000	Unrealised loss HK$'000	Others HK$'000	Total HK$'000
At 31 March 2017, as originally presented	(549)	(348)	—	(897)
Change in accounting policy of investment properties from cost model to fair value model (Note 2.1.1(c))	1	—	(12)	(11)
At 31 March 2017, as restated	(548)	(348)	(12)	(908)
Credited/(charged) to the consolidated statement of comprehensive income	229	348	(145)	432
At 31 March 2018, as restated	(319)	—	(157)	(476)
At 31 March 2018, as originally presented	(328)	—	—	(328)
Change in accounting policy of investment properties from cost model to fair value model (Note 2.1.1(c))	9	—	(157)	(148)
At 31 March 2018, as restated	(319)	—	(157)	(476)
Change in accounting policy in relation to the adoption of HKFRS 15 (Note 2.1.1(a)(ii))	295	—	157	452
At 1 April 2018, as restated	**(24)**	**—**	**—**	**(24)**
Charged to the consolidated statement of comprehensive income	**(8)**	**(151)**	**(179)**	**(338)**
At 31 March 2019	**(32)**	**(151)**	**(179)**	**(362)**

Notes to the Consolidated Financial Statements (Continued)

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: (Continued)

Deferred income tax assets	Tax losses HK$'000	Decelerated tax depreciation HK$'000	Unrealised profit HK$'000	Total HK$'000
At 1 April 2017	1,277	58	—	1,335
(Charged)/credited to the consolidated statement of comprehensive income	(380)	5	889	514
At 31 March 2018	897	63	889	1,849
At 31 March 2018, as originally presented	897	63	889	1,849
Change in accounting policy in relation to adoption of HKFRS 15 (Note 2.1.1(a)(ii))	4,916	—	(712)	4,204
At 1 April 2018, as restated	**5,813**	**63**	**177**	**6,053**
Credited/(charged) to the consolidated statement of comprehensive income	**478**	**(2)**	**(177)**	**299**
Transferred to current income tax recoverable/ payable (Note)	**(5,858)**	**—**	**—**	**(5,858)**
At 31 March 2019	**433**	**61**	**—**	**494**

Note: On 27 November 2018, the Inland Revenue Department of Hong Kong ("IRD") published a tax bulletin issued by the Hong Kong Institute of Certified Public Accountants ("Tax Bulletin"). According to the Tax Bulletin, any upward/downward transitional adjustments to the retained earnings in relation to the adoption of HKFRS 15 that was revenue in nature would be subject to tax/deducted from the profits or allowed as a deduction in the year of assessment relating to the basis period in which HKFRS 15 was adoption for the first time. As such, the Group transferred the relevant deferred income tax assets recognised on adoption of HKFRS 15 of HK$5,858,000 to the current income tax recoverable/payable of the respective group companies during the year ended 31 March 2019.

As at 31 March 2018 and 2019, the Group did not have any significant unrecognised deferred income tax.

Notes to the Consolidated Financial Statements (Continued)

27 Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: same).

No interim or final dividend was paid or proposed for the year ended 31 March 2019. The dividends declared and paid by the Company during the year ended 31 March 2018 were as follows:

	Year ended 31 March 2018 HK$'000
Dividends	2,400

During the year ended 31 March 2018, the Company paid final dividend of HK$0.3 cent per share (amounting to HK$2,400,000) relating to the year ended 31 March 2017.

28 Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of profit before income tax to cash used in operations

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000 (Restated) (Note 2.1.1)
Cash flows from operating activities		
Profit before income tax	**17,075**	20,147
Adjustments for:		
Finance income	**(101)**	(135)
Finance costs	**5,847**	2,826
(Gains)/losses on disposals of property, plant and equipment, net	**(31)**	105
Share of results of investments accounted for using the equity method	**769**	209
Depreciation of property, plant and equipment	**2,811**	3,394
Fair value gains on investment properties	**(1,200)**	(2,184)
	25,170	24,362
Changes in working capital:		
Trade, retention and other receivables, deposits and prepayments	**(7,614)**	5,512
Amounts due from/to customers for contract works, net	**—**	(60,992)
Contract assets/liabilities, net	**(123,439)**	—
Amount due from an investment accounted for using the equity method	**—**	(1,010)
Amount due to an investment accounted for using the equity method	**98**	169
Amounts due from related companies	**742**	141
Amount due to a related company	**444**	(10)
Trade and other payables and accruals	**71,384**	(25,859)
Cash used in operations	**(33,215)**	(57,687)

Notes to the Consolidated Financial Statements (Continued)

28 Notes to the Consolidated Statement of Cash Flows (Continued)

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

	Year ended 31 March 2019 HK$'000	2018 HK$'000
Net book amount	**719**	247
Gains/(losses) on disposals of property, plant and equipment, net	**31**	(105)
Proceeds from disposals of property, plant and equipment	**750**	142

(c) Reconciliation of liabilities arising from financing activities

This section sets out an analysis of liabilities arising from financing activities and the movements in liabilities arising from financing activities for each of the years presented. The liabilities arising from financing activities have been allocated 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 in this section.

	Obligations under finance leases		Borrowings (excluding bank overdrafts)		Loan from a shareholder		
	Due within 1 year HK$'000	Due after 1 year HK$'000	Due within 1 year HK$'000	Due after 1 year HK$'000	Due within 1 year HK$'000	Due after 1 year HK$'000	Total HK$'000
As at 1 April 2017	1,136	1,131	47,759	4,288	—	—	54,314
Cash flows	(1,367)	—	10,011	(2,926)	—	—	5,718
Other non-cash movements	1,107	(435)	710	(710)	—	—	672
As at 31 March 2018	876	696	58,480	652	—	—	60,704
As at 1 April 2018	**876**	**696**	**58,480**	**652**	**—**	**—**	**60,704**
Cash flows	**(1,188)**	**(214)**	**44,826**	**11,106**	**—**	**8,750**	**63,280**
Other non-cash movements	**824**	**(115)**	**2,456**	**(2,456)**	**—**	**—**	**709**
As at 31 March 2019	**512**	**367**	**105,762**	**9,302**	**—**	**8,750**	**124,693**

Notes to the Consolidated Financial Statements (Continued)

29 Commitments

(a) Operating lease commitments — Group company as lessee

The Group leases car parking spaces, office premises, staff quarters and warehouses under non-cancellable operating lease agreements. As at 31 March 2019, the original lease terms are ranged from 1 to 3 years (2018: ranged from 2 to 3 years) and the lease arrangements are renewable at the end of the lease period at market rate (2018: same). The operating lease rentals have been included in the consolidated statement of comprehensive income (Note 8).

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

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
No later than 1 year	**2,638**	2,846
Later than 1 year and no later than 5 years	**600**	1,760
	3,238	4,606

(b) Operating lease commitments — Group company as lessor

The Group had contracted with lessees for leasing office premises and a car parking space under non-cancellable operating lease agreements. As at 31 March 2019, the original lease terms are ranged from 6 months to 3 years (2018: same) and the lease arrangements are 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	
	2019	2018
	HK$'000	HK$'000
No later than 1 year	**75**	262
Later than 1 year and no later than 5 years	**—**	170
	75	432

Notes to the Consolidated Financial Statements (Continued)

30 Contingencies

At 31 March 2018 and 2019, the Group's contingent liabilities were as follows:

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Surety bonds (Note)	**29,883**	3,362

Note: As at 31 March 2019, the Group provided guarantees of surety bonds in respect of 5 (2018: 2) 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
Spartan Construction Materials Limited	Controlled by certain shareholders of the Company
Spartan Lighting Limited	Controlled by certain shareholders of the Company
Popsible Development Limited	Jointly controlled by the Group
Popsible Hospitality Management Limited	Jointly controlled by the Group
泊舍不動產開発株式会社	Jointly controlled by the Group

Notes to the Consolidated Financial Statements (Continued)

31 Related Parties Balances and Transactions (Continued)

(b) Transactions

Save as disclosed elsewhere in the consolidated financial statement, during the years ended 31 March 2018 and 2019, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Received from related party for:		
Revenue from construction contracts from		
— Spartan Construction Materials Limited (Note i)	**533**	—
Rental income from		
— Spartan Construction Materials Limited (Note ii)	**14**	56
Management fee from		
— 泊舍不動産開発株式会社 (Note i)	**21**	—
Paid to related party for:		
Purchase of materials and consumables from		
— Spartan Construction Materials Limited (Note i)	**1,241**	1,318
Subcontractor fees paid to		
— Spartan Construction Materials Limited (Note i)	**729**	—

Notes:

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

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

(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	
	2019	2018
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**8,373**	10,674
Retirement benefit costs — defined contribution plans	**107**	126
Other long-term employee benefits	**—**	153
	8,480	10,953

Notes to the Consolidated Financial Statements (Continued)

31 Related Parties Balances and Transactions (Continued)

(d) Balances

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Amounts due from investments accounted for using the equity method		
Popsible Development Limited (Note i)	**37,895**	1,010
泊舍不動産開発株式会社 (Note i)	**21**	—
	37,916	1,010
Amounts due from related companies		
Spartan Construction Materials Limited (Note i)	**1,579**	2,321
Spartan Lighting Limited (Note i)	**814**	814
	2,393	3,135
Amount due to an investment accounted for using the equity method		
Popsible Hospitality Management Limited (Note i)	**(267)**	(169)
Amounts due to a related company		
Spartan Construction Materials Limited (Note i)	**(444)**	—

Note:

(i) The balances are unsecured, interest free, repayable on demand and denominated in HK$.

Notes to the Consolidated Financial Statements (Continued)

32 Balance Sheet of the Company

	Note	As at 31 March 2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries		**107,992**	66,992
Total non-current assets		**107,992**	66,992
Current assets			
Prepayments		**109**	115
Amounts due from subsidiaries	b	**27,945**	62,606
Amount due from an investment accounted for using the equity method	b	**15,098**	98
Current income tax recoverable		**4**	—
Cash and bank balances		**235**	19,568
Total current assets		**43,391**	82,387
Total assets		**151,383**	149,379
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**80,000**	80,000
Reserves	a	**69,437**	69,221
Total equity		**149,437**	149,221
LIABILITIES			
Current liabilities			
Amount due to a subsidiary	b	**—**	10
Other payables and accruals		**1,946**	—
Current income tax payables		**—**	148
Total liabilities		**1,946**	158
Total equity and liabilities		**151,383**	149,379

Notes to the Consolidated Financial Statements (Continued)

32 Balance Sheet of the Company (Continued)

Note (a): Reserves movement of the Company

	Share premium	Other reserves (Note)	(Accumulated losses)/ retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2017	—	56,481	—	56,481
Capitalisation Issue (Note 21)	(59,999)	—	—	(59,999)
Issue of shares upon share offer in the Listing (Note 21)	84,000	—	—	84,000
Share Issuance costs (Note 21)	(11,210)	—	—	(11,210)
Profit for the year	—	—	2,349	2,349
Dividend (Note 27)	—	—	(2,400)	(2,400)
Balance at 31 March 2018	12,791	56,481	(51)	69,221
Balance at 1 April 2018	**12,791**	**56,481**	**(51)**	**69,221**
Profit for the year	**—**	**—**	**216**	**216**
Balance at 31 March 2019	**12,791**	**56,481**	**165**	**69,437**

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 (b): The carrying amounts of the amounts due from/(to) subsidiaries and amount due from an investment accounted for using the equity method of the Company are denominated in HK$. The amounts are unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements (Continued)

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 2019:

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	1,984	–	–	–	516	–	–	–	2,500
Mr. Lam	2,100	–	–	–	400	–	–	–	2,500
Independent non-executive directors									
Mr. Keung Kwok Hung	150	–	–	–	–	–	–	–	150
Ms. Lau Suk Han Loretta	150	–	–	–	–	–	–	–	150
Mr. Fong Man Fu Eric	150	–	–	–	–	–	–	–	150
Total	4,534	–	–	–	916	–	–	–	5,450

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

For the year ended 31 March 2018:

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	1,984	–	290	–	516	–	–	–	2,790
Mr. Lam	2,104	–	290	–	396	–	–	–	2,790
Independent non-executive directors									
Mr. Poon Man Hong (Note i)	35	–	–	–	–	–	–	–	35
Mr. Keung Kwok Hung	148	–	–	–	–	–	–	–	148
Ms. Lau Suk Han Loretta	148	–	–	–	–	–	–	–	148
Mr. Fong Man Fu Eric (Note ii)	113	–	–	–	–	–	–	–	113
Total	4,532	–	580	–	912	–	–	–	6,024

Note i: Mr. Poon Man Hong ceased to be an Independent non-executive director of the Company on 29 June 2017.

Note ii: Mr. Fong Man Fu Eric was appointed as an Independent non-executive director of the Company on 29 June 2017.

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 (2018: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2018: 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 (2018: 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 2019 (2018: 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 2019 (2018: Nil).

Five-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				
	2019 HK$'000	2018 HK$'000 (restated)	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**491,839**	532,127	407,320	361,427	289,856
Profit before income tax	**17,075**	20,147	12,684	29,652	26,753
Income tax expenses	**(2,409)**	(4,560)	(4,538)	(5,344)	(4,156)
Profit for the year	**14,666**	15,587	8,146	24,308	22,597

Assets and Liabilities

	As at 31 March				
	2019 HK$'000	2018 HK$'000 (restated)	2017 HK$'000 (restated)	2016 HK$'000	2015 HK$'000
Assets					
Non-current assets	**26,140**	26,986	19,224	25,137	24,197
Current assets	**432,615**	303,410	228,834	146,435	125,933
Total assets	**458,755**	330,396	248,058	171,572	150,130
Equity and liabilities					
Total equity	**142,009**	163,592	50,518	58,231	40,263
Non-current liabilities	**9,479**	1,172	2,039	2,124	1,576
Current liabilities	**307,267**	165,632	195,501	111,217	108,291
Total liabilities	**316,746**	166,804	197,540	113,341	109,867
Total equity and liabilities	**458,755**	330,396	248,058	171,572	150,130

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

The summary above does not form part of the audited financial statements.

Restatements were made due to the change in accounting policy of investment properties from cost model to fair value model and the change in the presentation of the consolidated statement of comprehensive income.

MILESTONE

Milestone Builder Holdings Limited

進階發展集團有限公司