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## **IBI Group Holdings Limited**

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

**(Stock code: 1547)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020**

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>Year ended 31 March</b>		
	<b>2020</b>	2019	<b>Increase/ (decrease)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	<b>591,129</b>	593,448	(0.4)%
Gross profit	<b>51,871</b>	51,731	0.3%
Profit before income tax expense	<b>25,294</b>	24,753	2.2%
Profit for the year	<b>21,627</b>	20,852	3.7%
Basic and diluted earnings per share (HK cents)	<b>2.7</b>	2.6	3.8%
The Board does not recommend the payment of a final dividend for the year ended 31 March 2020.			

### **ANNUAL RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of IBI Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2020, together with the comparative figures for the year ended 31 March 2019.

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

*For the year ended 31 March 2020*

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	5	<b>591,129</b>	593,448
Cost of sales		<u>(539,258)</u>	<u>(541,717)</u>
Gross profit		<b>51,871</b>	51,731
Other income and gain	6	<b>1,198</b>	801
Administrative and other operating expenses		<u>(27,407)</u>	<u>(27,779)</u>
Finance costs	7	<u>(368)</u>	–
<b>Profit before income tax expense</b>	8	<b>25,294</b>	24,753
Income tax expense	9	<u>(3,667)</u>	<u>(3,901)</u>
<b>Profit and total comprehensive income for the year</b>		<u><u>21,627</u></u>	<u><u>20,852</u></u>
<b>Earnings per share:</b>	10		
Basic and diluted (HK cents)		<u><u>2.7</u></u>	<u><u>2.6</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>233</b>	419
Right-of-use assets		<b>5,276</b>	–
Financial assets at fair value through profit or loss		<b>12,556</b>	–
		<hr/>	<hr/>
Total non-current assets		<b>18,065</b>	419
		<hr/>	<hr/>
<b>Current assets</b>			
Contract assets		<b>144,068</b>	190,284
Trade and other receivables	<i>12</i>	<b>25,363</b>	40,632
Pledged deposits		<b>16,136</b>	16,200
Tax recoverable		<b>1</b>	2
Cash and cash equivalents		<b>195,673</b>	109,361
		<hr/>	<hr/>
Total current assets		<b>381,241</b>	356,479
		<hr/>	<hr/>
<b>Current liabilities</b>			
Contract liabilities		<b>19,726</b>	–
Trade and other payables	<i>13</i>	<b>238,049</b>	222,536
Lease liabilities		<b>2,467</b>	–
Tax payables		<b>818</b>	855
		<hr/>	<hr/>
Total current liabilities		<b>261,060</b>	223,391
		<hr/>	<hr/>
<b>Net current assets</b>		<b>120,181</b>	133,088
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>138,246</b>	133,507
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Lease liabilities		<b>3,112</b>	–
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>135,134</b>	133,507
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Share capital	<i>14</i>	<b>8,000</b>	8,000
Reserves		<b>127,134</b>	125,507
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>135,134</b>	133,507
		<hr/>	<hr/>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 April 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is 190 Elgin Avenue, George Town, Grand Cayman, KY1-9007, Cayman Islands. Its principal place of business in Hong Kong is located at 3/F, Bangkok Bank Building, 18 Bonham Strand West, Hong Kong.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 14 October 2016 (the “**Listing**”).

The Company is an investment holding company. The principal activities of the Group are to act as a building contractor focusing on providing renovation services as a main contractor for property projects in the private sector in Hong Kong and Macau.

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### (a) Adoption of new/revised HKFRSs — effective 1 April 2019

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features with Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015–2017 Cycle

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any significant impact on the group’s accounting policies.

#### (i) *Impact of the adoption of HKFRS 16*

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee’s perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor’s perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group’s accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 if any as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2018/19 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

As at 31 March 2019, the Group had operating lease commitment of approximately HK\$350,000 for which the lease term ends within 12 months of the date of initial application and the leases do not include a renewal option. Accordingly, the Group has not recognised any right-of-use assets nor lease liabilities as at 1 April 2019 but to account for payments on these leases as an expense on a straight-line basis over the remaining lease term.

*(ii) The new definition of a lease*

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

*(iii) Accounting as a lessee*

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

#### Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

#### Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

#### (iv) *Transition*

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1 April 2019). The comparative information presented in 2018/19 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 April 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

**(b) New/revised HKFRSs that have been issued but are not yet effective**

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a business <sup>1</sup>
Amendments to HKAS 1 and HKAS 8	Definition of material <sup>1</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the Group's consolidated financial statements in the future.

**3. BASIS OF PREPARATION**

**(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

**(b) Basis of measurement**

The consolidated financial statements have been prepared under the historical cost basis.

**(c) Functional and presentation currency**

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company and its subsidiaries other than IBI Macau Limited, and all values are rounded to the nearest thousand except when otherwise stated.

#### 4. SEGMENT REPORTING

The executive directors of the Company, who are the chief operating decision-makers of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategy decision.

Management regularly reviews the operating results from a project-based perspective. The reportable operating segment derives its revenue primarily from provision of renovation services as a main contractor for property projects in the private sector in Hong Kong and Macau. Accordingly, the Group has only one business segment and no further analysis of this single segment is considered necessary.

##### (a) Geographical information

The Group operates in two principal geographical areas — Hong Kong and Macau.

The following table provides an analysis of the Group's revenue from external customers within the scope of HKFRS 15:

Revenue from external customers	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Hong Kong	538,347	575,388
Macau	52,782	18,060
	<u>591,129</u>	<u>593,448</u>

The following table provides an analysis of the Group's non-current assets ("Specified non-current assets"):

Specified non-current assets	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Hong Kong	5,509	419
Macau	—	—
	<u>5,509</u>	<u>419</u>

The non-current assets information above excludes financial assets at fair value through profit or loss and is based on the physical locations of the respective assets.

##### (b) Information about major customers

Revenue from major customers, where each of them accounted for 10% or more of the Group's revenue, are set out below:

	2020 HK\$'000	2019 HK\$'000
Customer I	110,539	N/A
Customer II	109,691	293,783
Customer III	83,365	N/A
	<u>203,595</u>	<u>293,783</u>

## 5. REVENUE

Revenue, which is also the Group's turnover, represents contract revenue from provision of renovation services as a main contractor during the year. All the Group's revenue is derived from contracts with customers which is recognised over time.

The Group has applied the practical expedient to its sales contracts for Construction Services and therefore the below information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for Construction Services that had an original expected duration of one year or less.

As at 31 March 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts was approximately HK\$55,135,000 (2019: HK\$116,395,000). This amount represents revenue expected to be recognised in the future from partially-completed long-term construction contracts. The Group will recognise the expected revenue in future as the work is progressed, which is expected to occur over the next ten months.

## 6. OTHER INCOME AND GAIN

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	1,141	801
Fair value gain on financial assets at fair value through profit or loss	57	–
	<u>1,198</u>	<u>801</u>

## 7. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expenses on lease liabilities	368	–

## 8. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived after charging/(crediting):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditor's remuneration	900	900
Depreciation of property, plant and equipment	327	1,099
Depreciation of right-of-use assets	2,029	–
Staff costs including directors' emoluments:		
— Salaries and allowances	69,607	59,737
— Contributions on defined contribution retirement plans	1,670	1,690
	<u>71,277</u>	<u>61,427</u>
Short term leases expenses	855	–
Minimum lease payments for leases previously classified as operating leases under HKAS 17	–	2,697
Foreign exchange gain, net	(144)	–

## 9. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
— Tax for the year	3,709	3,961
— Over provision in respect of prior years	(42)	(60)
	<u>3,667</u>	<u>3,901</u>
Current tax — overseas		
— Tax for the year	—	—
	<u>3,667</u>	<u>3,901</u>

The Hong Kong Government gazetted the “Inland Revenue (Amendment) (No. 3) Ordinance 2018” on 29 March 2018 which introduces the two-tiered profits tax rates regime (the “**Regime**”). Under the Regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

For the years ended 31 March 2020 and 2019, Hong Kong Profits Tax is calculated in accordance with the Regime.

Pursuant to the relevant laws and regulations in Macau and with the short-term tax incentives granted by the Macau Government, the Group’s subsidiary in Macau was subject to complementary tax at the rate of 12% for taxable profits over the tax threshold of MOP600,000 for the tax year ended 31 December 2019. The Macau Government has not yet announced the tax threshold for the tax year ending 31 December 2020.

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 March 2020 is based on the profit attributable to owners of the Company of approximately HK\$21,627,000 (2019: approximately HK\$20,852,000) and on the weighted average number of 800,000,000 (2019: 800,000,000) ordinary shares in issue during the year.

Dilutive earnings per share is the same as the basic earnings per share because the Group had no diluted potential shares during the years ended 31 March 2020 and 2019.

## 11. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interim dividend declared and paid ( <i>Note (i)</i> )	8,000	8,000
Proposed final dividend ( <i>Note (ii)</i> )	—	12,000
	<u>8,000</u>	<u>20,000</u>

Notes:

- (i) The interim dividend in respect of the financial year ended 31 March 2020 of HK1.0 cent (2019: HK1.0 cent) per ordinary share, amounting to HK\$8.0 million (2019: HK\$8.0 million) was paid on 16 January 2020.
- (ii) The Board does not recommend the payment of a final dividend in respect of the financial year ended 31 March 2020.

The final dividend in respect of the year ended 31 March 2019 of HK1.5 cents per ordinary share amounting to HK\$12.0 million was paid on 18 October 2019 and was recognised in the year ended 31 March 2020. The final dividend in respect of the financial year ended 31 March 2018 of HK2.5 cent per ordinary share, amounting to HK\$20.0 million was paid on 18 October 2018 and was recognised in the year ended 31 March 2019.

## 12. TRADE AND OTHER RECEIVABLES

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables ( <i>Notes (i) and (ii)</i> )	<b>23,670</b>	38,739
Deposits and other receivables	<b>1,369</b>	1,498
Prepayments	<b>324</b>	395
	<u><b>25,363</b></u>	<u>40,632</u>

Notes:

- (i) The credit period granted to customers on final and progress billings is generally between 14 and 60 days from the invoice date.
- (ii) The ageing analysis of trade receivables (net of allowances) at the end of each reporting period based on the invoice date is as follows:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	<b>23,000</b>	33,089
31–60 days	<b>670</b>	770
61–90 days	–	–
Over 90 days	–	4,880
	<u><b>23,670</b></u>	<u>38,739</u>

### 13. TRADE AND OTHER PAYABLES

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Trade payables ( <i>Note (i)</i> )	<b>27,110</b>	10,716
Accruals for costs of contract work	<b>172,586</b>	172,919
Retention payables ( <i>Note (ii)</i> )	<b>31,668</b>	32,436
Other payables and accruals	<b>6,685</b>	6,465
	<u><b>238,049</b></u>	<u>222,536</u>

*Notes:*

- (i) The ageing analysis of trade payables, based on invoice date, as at the end of each reporting period is as follows:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
0–30 days	<b>26,271</b>	10,112
31–60 days	<b>118</b>	408
61–90 days	<b>329</b>	–
Over 90 days	<b>392</b>	196
	<u><b>27,110</b></u>	<u>10,716</u>

The credit period granted by suppliers is generally between 14 and 60 days from the invoice date and subcontractors is generally within 14 days after receipt of payment from customers.

- (ii) As at 31 March 2020, retention payables of approximately HK\$9,269,000 (2019: HK\$7,542,000) were expected to be settled beyond twelve months after the end of the reporting period.

### 14. SHARE CAPITAL

	Number of ordinary shares		Share capital	
	2020	2019	2020	2019
			HK\$'000	HK\$'000
Ordinary shares of HK\$0.01 each:				
Authorised	<b>10,000,000,000</b>	10,000,000,000	<b>100,000</b>	100,000
Issued and fully paid	<b>800,000,000</b>	800,000,000	<b>8,000</b>	8,000

## 15. RELATED PARTY TRANSACTIONS

- (a) During the year ended 31 March 2020, the Group entered into the following transactions with related parties:

<b>Related party relationship</b>	<b>Type of transaction</b>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
A company where a key management personnel is a close family member of an executive director of the Company	Revenue from provision of Construction Services	–	16,163

(b) **Compensation of key management personnel**

The remuneration of key management personnel, who are the executive directors of the Company, for the years ended 31 March 2020 and 2019 were as follows:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Compensation of key management personnel	<u>7,780</u>	<u>7,118</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **COMPANY OVERVIEW**

Established in 1997, the Group is a building contractor focusing on providing renovation services as a main contractor for property projects in the private sector in both Hong Kong and Macau. Our two main types of projects are fitting-out projects and alteration and addition (“A&A”) projects.

Our major customers include a number of highly reputable organisations and commercial enterprises in the private sector in Hong Kong and Macau, including multi-national banks, hotel and casino operators, a racing and betting operator and property developers.

The Group’s competitive strengths have contributed to our continued success and distinguished us from our competitors. We believe our competitive strengths lie in three key specific areas of the business, namely,

1. an established reputation and proven track record;
2. implementation, management and execution expertise; and
3. commitment to the management of risk, cash flow and general financial security.

### **BUSINESS REVIEW**

For the year ended 31 March 2020, the Group recorded profit after tax of approximately HK\$21.6 million (2019: HK\$20.9 million) from revenue totalling approximately HK\$591.1 million (2019: HK\$593.4 million). During the year ended 31 March 2020, the Group completed 18 projects and was awarded 18 projects, 17 of which were fitting-out projects and one was an A&A project.

As the business of the Group is project-based, profitability of the Group is dependent on a consistent stream of tendering opportunities.

Upon converting these tendering opportunities to secured contracts, the importance of a stringent project management system becomes paramount so that costs can be controlled, income can be secured and positive cash flow can be maintained.

From a risk perspective, a high level of importance is placed on our tendering strategies, our prudent execution of the works and the diligent monitoring and control of the commercial aspects of our projects.

## **General Overview**

Hong Kong and Macau have become increasingly impacted by a trifecta of negative news.

The year started with increasing hostility between the USA and China and the imposing of trading tariffs. This hostility has continued and intensified and unfortunately, there is no end in sight to this situation.

In July 2019, social unrest in Hong Kong became the mainstay of the news, triggered by the attempted implementation of an extradition law. As a result, Hong Kong was subjected to six months of severe disruption to both businesses and the daily lives of its citizens.

The above two situations were compounded when in January 2020, Hong Kong and the rest of the world became aware of a new and highly contagious virus. As a result of its previous experience with the SARS virus, both Hong Kong and Macau were quick to implement enhanced levels of protection for its citizens, the result of which was a very successful containment of the virus and a minimal number of infections/deaths.

Unfortunately, other countries around the world did not react quickly and the virus has moved rapidly amongst their populations resulting in high levels of infections, overwhelmed health services and ultimately, large numbers of deaths. The resulting locking down of entire countries internally and externally has decimated businesses and severely disrupted normal global business practices.

Operating in an environment suffering from such severe disruption is challenging however both the Company and its senior management have been through similar challenges in the past and are well qualified to guide the Company through these tough times.

## **MARKET REVIEW**

### **Hong Kong**

For the best part of the year ended 31 March 2020, both the fitting-out and A&A markets have been extremely active. The number of tendering opportunities has been high and the Group has performed well in securing high quality projects with quality clients.

Towards the end of the financial year and as the impact of the trade war, the social unrest and the pandemic intensified, we have experienced a reduced number of tendering opportunities and an increased level of competition for each project. This financial period for 31 March 2021 will be challenging and it will be essential for the Group to closely analyse every tender submission, to remain competitive and to maximise our chances of winning work.

Irrespective of the above, as a result of Hong Kong's prompt and consistent response to the virus, society is quickly returning to normal and we are confident that the construction industry will follow.

## **Macau**

For the year ended 31 March 2020, our Macau team performed well.

We were fortunate to secure a number of projects during the year which included the building of a large high-end Japanese dining space for one of Macau's premier Hotel and Casino operators.

Unfortunately, the impact of the virus pandemic has been harsh on this territory. Macau is heavily reliant on tourism and with the pandemic shutting down almost all travel both domestically and internationally, the hotels and casinos have been starved of visitors.

Spending by the hotel and casino groups has reduced significantly and as a result, there are limited tenders for potential projects. As we have done in the past, basic costs have been reduced to a minimum and we will patiently wait for market conditions to improve.

## **Moving Forward**

### *Hong Kong*

As a result of the tendering successes we achieved in early 2020, our project teams have been kept busy completing projects into the new financial year. This has given us a significant buffer against the deteriorating environment.

We are also fortunate that despite the reduced number of tenders, we have already secured new work, including an international bank and, an international school organisation.

Moving forward, we will continue to reduce our cost base to a minimum and to maintain efficient methods of managing teams and procuring goods and services. We are confident that the situation will improve as countries begin to open up again and ultimately, when a vaccine is successfully found and distributed world-wide.

## Macau

As the market in Macau has been seriously impacted, we do not anticipate a significant improvement in the market until the border with the PRC is re-opened. Until this happens, we will continue to operate on a skeleton basis and at the same time, let our major clients know that we are still able to tender for any opportunity.

We will spread our marketing efforts beyond the hotel and casino industry in order to maximise our opportunities and to secure a range of projects outside of this core focus. We hope this will enable us to smooth out the more volatile nature of the hotel and casino work and to provide more consistent results moving forward.

## New Ventures

I am pleased to announce that subsequent to the year end, the Company has formed a new division specializing in the provision of construction and building related products. The new entity will be known as Building Solutions Limited (“BSL”).

We have been fortunate to secure the services of JS Gan to head up this division. Mr. Gan is a well-known industry professional who has spent over 12 years successfully developing supply chains in Asia and we fully believe his experience and reputation will be a significant factor in the success of the new division.

The primary mission of BSL is to secure high quality and innovative products and materials from overseas for distribution throughout Asia and although BSL is early in its development, I look forward to reporting positively on its progress in the coming months.

## FINANCIAL REVIEW

### Revenue

The Group is a building contractor focusing on providing renovation services as a main contractor for property projects in the private sector in Hong Kong and Macau. Our two main types of projects are (i) fitting-out projects; and (ii) A&A projects.

#### *Revenue by geographical location of projects*

	Year ended 31 March			
	2020		2019	
	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>
Hong Kong	538,347	91.1%	575,388	97.0%
Macau	52,782	8.9%	18,060	3.0%
<b>Total</b>	<b>591,129</b>	<b>100.0%</b>	<b>593,448</b>	<b>100.0%</b>

## Revenue by type of projects

	Year ended 31 March			
	2020		2019	
	HK\$'000	% of revenue	HK\$'000	% of revenue
Fitting-out projects	567,067	95.9%	479,928	80.9%
A&A projects	24,062	4.1%	113,520	19.1%
<b>Total</b>	<b>591,129</b>	<b>100.0%</b>	<b>593,448</b>	<b>100.0%</b>

The Group's revenue for the year ended 31 March 2020 was approximately HK\$591.1 million, which represented a decrease of approximately HK\$2.3 million or approximately 0.4% over the last financial year. The slight decrease in the Group's revenue was mainly due to a temporary suspension of several construction sites in Hong Kong during February and March 2020 as a consequence of the Coronavirus outbreak ("COVID-19"), the revenue contribution from Hong Kong decreased by approximately HK\$37.0 million or 6.4% over the last financial year. This decrease was partially offset by an increased revenue contribution from Macau which generated an additional revenue of approximately HK\$34.7 million for the year ended 31 March 2020.

### Gross profit and gross profit margin

The Group's gross profit remained stable and slightly increased by approximately HK\$0.1 million or 0.3% from approximately HK\$51.7 million for the year ended 31 March 2019 to approximately HK\$51.9 million for the year ended 31 March 2020. Accordingly, the Group's gross profit margin for the year ended 31 March 2020 increased to approximately 8.8% from approximately 8.7% for the year ended 31 March 2019.

### Administrative and other operating expenses

The Group's administrative and other operating expenses for the year ended 31 March 2020 were approximately HK\$27.4 million, representing a decrease of approximately HK\$0.4 million or 1.3% from approximately HK\$27.8 million for the last financial year. The decrease was mainly due to overall effective cost control during the year ended 31 March 2020.

### Income tax expense

The Group's operations are based in Hong Kong and Macau, and are subject to (i) Hong Kong profits tax calculated at 8.25% for the first HK\$2 million and 16.5% on the remaining balance of estimated assessable profits during the reporting period; and (ii) Macau complementary tax calculated at 12.0% on the taxable profits over the relevant tax threshold during the reporting period.

For the year ended 31 March 2020, the Group recorded income tax expense of approximately HK\$3.7 million (2019: HK\$3.9 million) representing an effective tax rate of approximately 14.5% (2019: 15.8%). The decrease in the Group's effective tax rate during the current financial year was mainly due to the increase in non-taxable income and the utilisation of tax loss brought forward for Macau.

### **Profit for the year**

The Group's profit for the year ended 31 March 2020 amounted to approximately HK\$21.6 million, representing an increase of approximately HK\$0.8 million or approximately 3.7% from approximately HK\$20.9 million for the year ended 31 March 2019. Such increase was mainly attributable to reduction in administrative and other operating expenses as mentioned above.

### **Bank borrowings**

As at 31 March 2020 and 2019, the Group had no bank borrowings. No financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

### **Liquidity and financial resources**

As at 31 March 2020, the Group had current assets of approximately HK\$381.2 million (2019: HK\$356.5 million) which comprised cash and cash equivalents of approximately HK\$195.7 million (2019: HK\$109.4 million), mainly denominated in Hong Kong dollars. As at 31 March 2020, the Group had non-current liabilities of approximately HK\$3.1 million (2019: nil), and its current liabilities amounted to approximately HK\$261.1 million (2019: HK\$223.4 million), consisting mainly of payables arising in the normal course of business operation. Accordingly, the current ratio, being the ratio of current assets to current liabilities, was approximately 1.5 times as at 31 March 2020 (2019: 1.6 times). The Group's working capital requirements were mainly financed by internal resources.

### **Gearing ratio**

The gearing ratio of the Group is defined as a percentage of total debts at the end of the reporting period divided by total equity at the end of the reporting period. As at 31 March 2020, the gearing ratio is 4.1% (2019: nil). Total debts include lease liabilities.

### **Treasury policies**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## **Foreign exchange exposure**

As at 31 March 2020, the Group's exposure to currency risks is mainly attributable to certain listed equity investments included in financial assets at fair value through profit or loss, which are denominated in Australian Dollar and British Pound. The Group was exposed to certain foreign currency exchange risks but it does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems.

Save as disclosed above, the Group's monetary assets and transactions are principally denominated in Hong Kong dollars, it did not have any significant exposure to risk resulting from changes in foreign currency exchange rates during the year ended 31 March 2020.

During the year ended 31 March 2020, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

## **Capital structure**

The shares of the Company were listed on the Main Board of the Stock Exchange on 14 October 2016 (the "**Listing Date**"). There has been no change in the capital structure of the Company since the Listing Date and up to the date of this announcement. The capital of the Company comprises ordinary shares and capital reserves.

## **Capital commitments**

As at 31 March 2020, the Group did not have any significant capital commitments (2019: nil).

## **Share Option Scheme**

The Company conditionally approved and adopted the Share Option Scheme on 20 September 2016 by passing of a written resolution of the then shareholders of the Company. The Share Option Scheme became effective on the Listing Date and will remain in force until the tenth anniversary of the Listing Date.

The purpose of the Share Option Scheme is to provide the Company a flexible means of giving incentive to, rewarding, remunerating, compensating and providing benefits to eligible participants and for such other purposes as the Board approves from time to time.

Since the adoption of the Share Option Scheme and up to the date of this announcement, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

## **Significant investments held**

As at 31 March 2020, except for the listed equity investments included in financial assets at fair value through profit or loss of approximately HK\$12.6 million (2019: nil), there was no other significant investment held by the Group.

## **Future plans for material investments and capital assets**

The Group did not have other plans for material investments and capital assets as at 31 March 2020.

## **Material acquisitions and disposals**

During the year ended 31 March 2020, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

## **Pledge of assets**

As at 31 March 2020, pledged deposits in the sum of approximately HK\$16.1 million (2019: HK\$16.2 million) were placed with a bank or an insurer as securities for the performance bonds issued by the bank and insurer to certain customers on their projects. The pledged deposits will be released when the bank or insurer is satisfied that no claims will arise from the projects under the performance bonds.

## **Contingent liabilities**

The Group had no material contingent liabilities as at 31 March 2020 (2019: nil).

## **Information on employees**

As at 31 March 2020, the Group had 109 employees (2019: 105), including the executive Directors. Total staff costs (including Directors' emoluments) were approximately HK\$71.3 million for the year ended 31 March 2020, as compared with approximately HK\$61.4 million for the year ended 31 March 2019. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other staff benefits include contributions to Mandatory Provident Fund scheme in Hong Kong and various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees of our Group.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed by management annually. The Group also operates the Share Option Scheme, pursuant to which options to subscribe for shares of the Company may be granted to the Directors and employees of the Group.

The Group encourages self-development of its employees and provides on-the-job training where appropriate.

## **EVENTS AFTER THE REPORTING DATE**

The outbreak of COVID-19 in early January 2020 has heavily impacted the global business environment. Up to the date of this announcement, COVID-19 has not unduly affected the business of the Group however moving forward, the negative business environment will undoubtedly impact the Group's ability to secure projects. The Group will remain vigilant moving forward and move fast to counter the impact of COVID-19 wherever possible and to look at all ways in which the Group can maneuver its way through these challenging times.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company confirms that, other than the deviation from code provision A.2.1, the Company has complied with all the code provisions ("**Code Provisions**") set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 March 2020.

Our Company complies with all the Code Provisions with the exception for Code Provision A.2.1, which requires the roles of chairman and chief executive be different individuals. Under Code Provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Neil David Howard holds both positions. Mr. Howard has been primarily responsible for overseeing our Group's general management and business development and for formulating business strategies and policies for our business management and operations since he joined our Group in 2006. Taking into account the continuation of management and the implementation of our business strategies, our Directors (including our independent non-executive Directors) consider it is most suitable for Mr. Howard to hold both the positions of chief executive officer and the chairman of our Board and the present arrangements are beneficial to and in the interests of our Company and our shareholders (the "**Shareholders**") as a whole. Our Company will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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 as its own code of conduct for securities transactions. Following specific enquires of all the Directors, all the Directors confirm that they have complied with the required standards of dealing as set out in the Model Code throughout the year ended 31 March 2020.

## **AUDIT COMMITTEE**

The Company established an audit committee (the “**Audit Committee**”) pursuant to a resolution of the Directors passed on 20 September 2016 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. The Terms of Reference of the audit committee was adopted in compliance with the Code Provisions. The Terms of Reference is available on the websites of both the Company and the Stock Exchange. The Audit Committee consists of three independent non-executive Directors, namely Mr. David John Kennedy (chairman), Mr. Richard Gareth Williams and Mr. Robert Peter Andrews.

The annual results of the Company for the year ended 31 March 2020 have been reviewed by the Audit Committee which is of the view that the annual results of the Company for the year ended 31 March 2020 are prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

## **SCOPE OF WORK OF BDO LIMITED**

The figures in respect of the preliminary announcement of the Group’s annual results for the year ended 31 March 2020 have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 March 2020. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

## **FINAL DIVIDEND**

The Company has performed well during the financial period and has improved on its performance of the previous year. In normal circumstances, the Board would recommend the payment of a final dividend, especially taking into account the current healthy cash reserves.

However, in light of the current circumstances with regards to COVID-19 and the threat of a second wave of infections, the possibility of an extended period of financial hardship is very real and therefore the Board believes it would be prudent to refrain from paying a final dividend for the year ended 31 March 2020 at this stage and until the economic future becomes more certain.

With the above in mind, the Board does not recommend the payment of a final dividend for the year ended 31 March 2020.

## **ANNUAL GENERAL MEETING**

The Company will hold its forthcoming annual general meeting on Friday, 18 September 2020 (the “**2020 AGM**”), the notice of which will be published and despatched to the Shareholders in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the Shareholders' entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Tuesday, 15 September 2020 to Friday, 18 September 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the 2020 AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 14 September 2020.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the websites of both the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.ibi.com.hk>). An annual report of the Company for the year ended 31 March 2020 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the aforesaid websites in due course.

By order of the Board  
**IBI Group Holdings Limited**  
**Neil David Howard**  
*Chairman*

Hong Kong, 24 June 2020

*As at the date of this announcement, the executive Directors are Mr. Neil David Howard and Mr. Steven Paul Smithers; and the independent non-executive Directors are Mr. Richard Gareth Williams, Mr. Robert Peter Andrews and Mr. David John Kennedy.*