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BEAVER GROUP (HOLDING) COMPANY LIMITED

永勤集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8275)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Beaver Group (Holding) Company Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

FINAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the consolidated results of 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> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Revenue | 4 | 86,999 | 152,484 |
| Cost of sales | | <u>(76,606)</u> | <u>(138,719)</u> |
| Gross profit | | 10,393 | 13,765 |
| Other income, gains/(losses) | 6 | 1,222 | 4,353 |
| Administrative expenses | | (14,895) | (14,184) |
| Allowance for impairment loss of financial assets, net | | (6,750) | (4,432) |
| Change in fair value of financial assets at fair value through profit or loss (“ FVTPL ”) | | <u>(1,573)</u> | <u>–</u> |
| Loss from operations | | (11,603) | (498) |
| Finance costs | 7 | <u>(2,305)</u> | <u>(1,239)</u> |
| Loss before tax | | (13,908) | (1,737) |
| Income tax credit/(expense) | 8 | <u>1,304</u> | <u>(669)</u> |
| Loss for the year attributable to owners of the Company | 9 | <u>(12,604)</u> | <u>(2,406)</u> |
| Other comprehensive income: <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences arising on translating foreign operations | | <u>(3)</u> | <u>136</u> |
| Other comprehensive income for the year, net of tax | | <u>(3)</u> | <u>136</u> |
| Total comprehensive income for the year attributable to owners of the Company | | <u>(12,607)</u> | <u>(2,270)</u> |
| Loss per share | | | |
| Basic and diluted (cents) | 11 | <u>(2.10)</u> | <u>(0.40)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

| | <i>Notes</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 51,898 | 60,489 |
| Right-of-use assets | | 8,683 | – |
| Financial assets at FVTPL | | 8,427 | – |
| Total non-current assets | | 69,008 | 60,489 |
| Current assets | | | |
| Trade and retention receivables | <i>12</i> | 48,432 | 51,229 |
| Contract assets | | 18,807 | 14,208 |
| Deposits, prepayments and other receivables | | 2,073 | 4,336 |
| Income tax recoverable | | 159 | 442 |
| Bank and cash balances | | 5,454 | 15,250 |
| Total current assets | | 74,925 | 85,465 |
| Current liabilities | | | |
| Trade and retention payables | <i>13</i> | 21,067 | 28,561 |
| Accruals and other payables | | 8,002 | 7,408 |
| Bank and other borrowings | | 38,350 | 25,907 |
| Lease liabilities | | 2,113 | – |
| Finance lease payables | | – | 765 |
| Current tax liabilities | | 32 | 301 |
| Total current liabilities | | 69,564 | 62,942 |
| Net current assets | | 5,361 | 22,523 |
| Total assets less current liabilities | | 74,369 | 83,012 |
| Non-current liabilities | | | |
| Lease liabilities | | 7,031 | – |
| Finance lease payables | | – | 1,750 |
| Deferred tax liabilities | | 4,722 | 6,039 |
| Total non-current liabilities | | 11,753 | 7,789 |
| NET ASSETS | | 62,616 | 75,223 |
| Capital and reserves | | | |
| Share capital | | 6,000 | 6,000 |
| Reserves | | 56,616 | 69,223 |
| TOTAL EQUITY | | 62,616 | 75,223 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 3 January 2017. The address of its registered office is at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108 the Cayman Islands. The address of its principal place of business is Room 1204, 12/F, Block 2, Golden Industrial Building, 16–26 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong. The Company's shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 October 2017.

The Company is an investment holding company. The Group is a foundation contractor primarily specialising in bored piling works as well as other foundation works. The Group is capable of installing bored piles with diameters ranging from 1.5 metres to 3 metres of various pile lengths. The Group has invested considerably in reinforcing its machinery and the Group possesses all necessary standard plant and machinery and equipment for its construction of bored piles. The Group is also engaged in leasing of machinery.

In the opinion of the directors of the Company, as at 31 March 2020, Hunter Corporate Limited ("**Hunter**"), a company incorporated in the British Virgin Islands ("**BVI**") with limited liability and C3J Development Limited ("**C3J**"), a company incorporated in the BVI with limited liability, are the ultimate holding companies and Mr. Chui Koon Yau ("**Mr. Chui**") and Mr. Tang Kwai Leung Stanley, ("**Mr. Tang**") are the ultimate controlling parties of the Company (collectively known as the "**Controlling Shareholders**").

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.87% per annum.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;

- (ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of properties was determined on a portfolio basis;
- (iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;
- (iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

| | <i>HK\$'000</i> |
|---|-----------------|
| Operating lease commitments disclosed as at 31 March 2019 | 881 |
| Less: commitments relating to lease exempt from capitalisation: | |
| — short-term leases and other leases with remaining lease term ending on or before 31 March 2020 | (601) |
| | 280 |
| Less: total future interest expenses | (8) |
| Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 April 2019 | 272 |
| Add: finance lease liabilities recognised as at 31 March 2019 | 2,515 |
| Lease liabilities recognised as at 1 April 2019 | 2,787 |
| Of which are: | |
| Current lease liabilities | 998 |
| Non-current lease liabilities | 1,789 |
| | 2,787 |

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 March 2019.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

| Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16 | Note | Effects of adoption of HKFRS 16 | | | Carrying amount as at 1 April 2019 HK\$'000 |
|---|------|---|-------------------------------|-----------------------------------|--|
| | | Carrying amount as at 31 March 2019 HK\$'000 | Re-classification HK\$'000 | Recognition of leases HK\$'000 | |
| | | | | | |
| Assets | | | | | |
| Right-of-use assets | | – | 2,084 | 272 | 2,356 |
| Property, plant and equipment | (i) | 60,489 | (2,084) | – | 58,405 |
| Liabilities | | | | | |
| Lease liabilities | | – | 2,515 | 272 | 2,787 |
| Finance lease payables | (ii) | 2,515 | (2,515) | – | – |

Notes:

- (i) In relation to assets previously under finance leases, the Group recategorises the carrying amount of the relevant assets which were still leased as at 1 April 2019 amounting to HK\$2,084,000 as right-of-use assets.
- (ii) The Group reclassified the obligation under finance leases of HK\$765,000 and HK\$1,750,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.
- (c) Impact of the financial results and cash flows of the Group

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases under HKAS 17 as at 31 March 2019, the Group recognised right-of-use assets amounting to HK\$2,356,000, including HK\$272,000 of leased property and HK\$2,084,000 of lease motor vehicles respectively. Lease liabilities of HK\$2,515,000 were recognised with related right-of-use assets of HK\$2,084,000 as at 31 March 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation on right-of-use assets and finance costs, instead of operating lease charges. During the year ended 31 March 2020, the Group recognised HK\$2,375,000 of depreciation on right-of-use assets and HK\$145,000 of finance costs from these leases.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

| | Effective for accounting periods beginning on or after |
|--|---|
| Amendments to HKFRS 3 Definition of a Business | 1 April 2020 |
| Amendments to HKAS 1 and HKAS 8 Definition of Material | 1 April 2020 |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform | 1 April 2020 |

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

Disaggregation of revenue from contracts with customers by major service line for the year is as follows:

| | 2020 | 2019 |
|---|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Construction contract income | 75,611 | 131,829 |
| Ancillary service income | – | 2,719 |
| Rental income from machinery | 11,388 | 17,936 |
| | 86,999 | 152,484 |

5. SEGMENT INFORMATION

Operating segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

As the Group is principally engaged in the provision of foundation work, ancillary services and machinery rental in Hong Kong and Macau, which are subject to similar business risks, and resources are allocated based on what is beneficial to the Group in enhancing the value of the Group as a whole, the Group's chief operating decision maker considers the performance assessment of the Group should be based on the loss before tax of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8 "Operating Segments".

Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

| | Revenue | | Non-current assets | |
|--------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
| Hong Kong | 84,892 | 147,231 | 60,581 | 60,489 |
| Macau | 2,107 | 5,253 | – | – |
| Consolidated total | <u>86,999</u> | <u>152,484</u> | <u>60,581</u> | <u>60,489</u> |

Revenue from major customers

The Group's customer base for whom transactions have exceeded 10% of its revenue is as below:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|------------|-------------------------|-------------------------|
| Customer 1 | 24,481 | N/A ¹ |
| Customer 2 | 10,272 | N/A ¹ |
| Customer 3 | 8,845 | 17,399 |
| Customer 4 | N/A ¹ | 17,381 |

¹ The corresponding revenue did not contribute over 10% of total revenue of the Group.

6. OTHER INCOME, GAINS/(LOSSES)

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Gain on disposals of property, plant and equipment | – | 3,928 |
| Gain on sales of strips | – | 315 |
| Interest income | 2 | 2 |
| Loss on written-off of property, plant and equipment | – | (28) |
| Gain on early termination of lease | 1 | – |
| Government grants (<i>note</i>) | 50 | – |
| Insurance claims | 1,051 | – |
| Others | 118 | 136 |
| | <u>1,222</u> | <u>4,353</u> |

Note: During the year ended 31 March 2020, a government funding of HK\$50,000 (2019: nil) was received by a subsidiary of the Company to assist the Group to mitigate the financial impact of outbreak of COVID-19.

7. FINANCE COSTS

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-----------------------------|-------------------------|-------------------------|
| Interest on: | | |
| — bank and other borrowings | 2,160 | 1,176 |
| — bank overdraft | — | * |
| — lease liabilities | 145 | 63 |
| | <u>2,305</u> | <u>1,239</u> |

* Represents the amount less than HK\$1,000.

8. INCOME TAX (CREDIT)/EXPENSE

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Current tax — Hong Kong Profits Tax | | |
| Provision for the year | 36 | 176 |
| (Over)/under-provision in prior years | (23) | 32 |
| | <u>13</u> | <u>208</u> |
| Current tax — Macau Profits Tax | | |
| Provision for the year | — | — |
| | <u>13</u> | <u>208</u> |
| Deferred tax | <u>(1,317)</u> | <u>461</u> |
| | <u>(1,304)</u> | <u>669</u> |

Hong Kong Profits Tax has been provided at a rate of 16.5% (2019: 16.5%) based on the assessable profit for the year less allowable losses brought forward.

On 21 March 2019, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year assessment 2018/2019. Profits above HK\$2 million will continue to be subject to the tax rate of 16.5%.

No provision for Macau Profits Tax for the year ended 31 March 2020 and 2019 since the Group has no assessable profit.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

9. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

| | <i>Notes</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Allowance for impairment loss of trade and retention receivables, net | | 4,622 | 4,318 |
| Allowance for impairment loss of contract assets | | 2,128 | 114 |
| Auditor's remuneration | | | |
| — Audit services | | 650 | 700 |
| — Non-audit services | | 160 | 210 |
| | | 810 | 910 |
| Costs of construction materials | <i>(a)</i> | 34,124 | 61,425 |
| Depreciation on property, plant and equipment | | 12,459 | 15,958 |
| Depreciation on right-of-use assets | | 2,375 | — |
| | <i>(b)</i> | 14,834 | 15,958 |
| Gain on disposals of property, plant and equipment | | — | (3,928) |
| Loss on written off of property, plant and equipment | | — | 28 |
| Operating lease charges | | | |
| — Land and buildings | <i>(c)</i> | 283 | 2,944 |
| Addition of provision for annual leave | | 292 | 9 |
| Staff costs including directors' emoluments | | | |
| — Salaries, bonuses, allowances and other benefits | | 33,086 | 32,271 |
| — Retirement benefits scheme contributions | | 1,046 | 1,069 |
| | <i>(d)</i> | 34,132 | 33,340 |

Notes:

(a) The amounts were included in cost of sales for the year.

(b) The amounts included in cost of sales for the year ended 31 March 2020 and 2019 amounted to HK\$12,268,000 and HK\$15,076,000 respectively.

The amounts included in contract assets as at 31 March 2020 amounted to HK\$1,296,000.

(c) The amounts included in cost of sales for the year ended 31 March 2020 and 2019 amounted to HK\$143,000 and HK\$2,576,000 respectively.

(d) The amounts included in cost of sales for the year ended 31 March 2020 and 2019 amounted to HK\$21,848,000 and HK\$25,508,000 respectively.

The amounts included in contract assets as at 31 March 2020 and 2019 amounted to HK\$3,664,000 and HK\$34,000 respectively.

10. DIVIDENDS

The directors of the Company did not recommend payment of any final dividend for the year ended 31 March 2020 (2019: HK\$Nil).

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Loss attributable to owners of the Company | <u>(12,604)</u> | <u>(2,406)</u> |
| Number of shares | '000 | '000 |
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share | <u>600,000</u> | <u>600,000</u> |

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted loss per share are the same.

12. TRADE AND RETENTION RECEIVABLES

| | <i>Notes</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---------------------------------------|--------------|--------------------------------|-------------------------|
| Trade receivables | <i>(a)</i> | 54,123 | 46,526 |
| Allowance for impairment loss | | <u>(7,301)</u> | <u>(2,198)</u> |
| | | 46,822 | 44,328 |
| Retention receivables (<i>Note</i>) | <i>(b)</i> | 4,592 | 10,364 |
| Allowance for impairment loss | | <u>(2,982)</u> | <u>(3,463)</u> |
| | | 1,610 | 6,901 |
| | | <u>48,432</u> | <u>51,229</u> |

Note: Retention receivables are included in current assets as the Group expects to realise these within its normal operating cycles.

- (a) The Group receives progress billings from contract customers. The credit terms generally range from 7 to 60 days from the date of billing. Application for progress payment of contract works is made on a regular basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by directors.

The ageing analysis of trade receivables, based on the progress payment, and net of allowance for impairment loss is as follows:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---------------|--------------------------------|-------------------------|
| 0 to 30 days | 12,755 | 31,361 |
| 31 to 60 days | 10,305 | 112 |
| 61 to 90 days | 34 | 3,218 |
| Over 90 days | <u>23,728</u> | <u>9,637</u> |
| | <u>46,822</u> | <u>44,328</u> |

Movement in allowance for impairment loss of trade receivables is as follows:

| | <i>HK\$'000</i> |
|-----------------------------------|---------------------|
| At 1 April 2018 | 46 |
| Allowance for the year | <u>2,152</u> |
| At 31 March 2019 and 1 April 2019 | 2,198 |
| Allowance for the year | <u>5,103</u> |
| At 31 March 2020 | <u><u>7,301</u></u> |

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

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|------|--------------------------------|-------------------------|
| HK\$ | 45,908 | 42,674 |
| MOP | 914 | 1,654 |
| | <u>46,822</u> | <u>44,328</u> |

- (b) The ageing analysis of retention receivables based on invoice date, and net of allowance for impairment loss is as follows:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|----------------------|--------------------------------|-------------------------|
| Within 1 year | 184 | 4,187 |
| Between 1 to 2 years | 1,362 | 306 |
| Between 2 to 5 years | 64 | 2,408 |
| | <u>1,610</u> | <u>6,901</u> |

Movement in allowance for impairment loss of retention receivables is as follows:

| | <i>HK\$'000</i> |
|-----------------------------------|---------------------|
| At 1 April 2018 | 1,297 |
| Allowance for the year | <u>2,166</u> |
| At 31 March 2019 and 1 April 2019 | 3,463 |
| Reversal for the year | <u>(481)</u> |
| At 31 March 2020 | <u><u>2,982</u></u> |

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

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|------|--------------------------------|-------------------------|
| HK\$ | 1,610 | 4,967 |
| MOP | – | 1,934 |
| | 1,610 | 6,901 |

13. TRADE AND RETENTION PAYABLES

| | <i>Notes</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|------------------------------------|--------------|--------------------------------|-------------------------|
| Trade payables | (a) | 20,028 | 27,299 |
| Retention payables (<i>Note</i>) | (b) | 1,039 | 1,262 |
| | | 21,067 | 28,561 |

Note: Retention payables are included in current liabilities as the Group expects to realise these within its normal operating cycles.

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

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---------------|--------------------------------|-------------------------|
| 0 to 30 days | 1,456 | 6,590 |
| 31 to 60 days | 1,844 | 3,420 |
| 61 to 90 days | 463 | 3,431 |
| Over 90 days | 16,265 | 13,858 |
| | 20,028 | 27,299 |

The carrying amounts of the Group's trade payables are denominated in Hong Kong dollars.

(b) Retention payables from sub-contractors of contract works are released by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

The carrying amounts of the Group's retention payables are denominated in Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a foundation contractor primarily specialising in bored piling works as well as other foundation works. The Group is capable of installing bored piles with diameters ranging from 1.5 metres to 3 metres of various pile lengths. The Group has invested considerably in reinforcing its machinery and the Group possesses all necessary standard plant and machinery and equipment for its construction of bored piles. The Group is also engaged in leasing of machinery.

For the year ended 31 March 2020, the Group recorded a net loss of approximately HK\$12.6 million as compared to a net loss of approximately HK\$2.4 million for the same period in 2019. The Directors are of the view that the net loss were primarily due to (i) delay in progress of certain projects as a result of the outbreak of the novel coronavirus (COVID-19) epidemic and lower value of contracts awarded to the Group; (ii) loss arising from change in fair value of the financial assets at FVTPL; and (iii) an increase in finance cost due to increase in borrowings and lease liabilities during the year ended 31 March 2020.

OUTLOOK

The Directors are of the view that the general outlook of the industry and the business environment in which the Group operates will remain challenging. The outbreak of the COVID-19 in early 2020 has created economic uncertainty to Hong Kong and imposed negative impacts on the foundation industry, including supply chain disruptions, workforce shortages due to illness and preventative quarantines, and work stoppages due to measures imposed by the government. Looking ahead, the Group will adhere to prudent financial management in project selection and cost control. The Group will continue to obtain additional qualifications and strengthen its financial resources to position itself to tender for suitable projects as a foundation contractor, and invest in the manpower and information system to enhance its operational capacity and efficiency in foundation and site formation works and bored piling works.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2020 was approximately HK\$87.0 million, representing a decrease by approximately 42.9% from approximately HK\$152.5 million for the year ended 31 March 2019, which was primarily attributable to delay in progress of certain projects and lower value of contracts awarded to the group.

Cost of sales

The Group's cost of sales for the year ended 31 March 2020 was approximately HK\$76.6 million, representing a decrease of approximately 44.8% from approximately HK\$138.7 million for the year ended 31 March 2019, which was primarily due to decrease in direct costs, such as cost of construction from materials, subcontractor charge and transportation expense as a result of the decreasing construction activities of the projects undertaken during the year ended 31 March 2020.

Gross profit and gross profit margin

Due to the decrease in the Group's revenue, the Group's gross profit for the year ended 31 March 2020 were approximately HK\$10.4 million, representing a decrease of approximately 24.6% from approximately HK\$13.8 million for the year ended 31 March 2019.

The Group's gross profit margin increased from approximately 9.0% to 11.9% for the year of comparison. Such increase was primarily contributed by increase in gross profit margin of certain projects undertaken during the year ended 31 March 2020.

Administrative expenses

The Group's administrative expenses for the year ended 31 March 2020 were approximately HK\$14.9 million, representing an increase of approximately 5.0% from approximately HK\$14.2 million for the year ended 31 March 2019. Administrative expenses primarily consisted of staff costs, advisory fees, legal and professional fee and other administrative expenses. The increase was mainly attributable to increase in legal and professional fee.

Loss for the year

For the year ended 31 March 2020, the Group recorded a loss attributable to owners of the Company of approximately HK\$12.6 million as compared to loss attributable to owners of the Company for the year ended 31 March 2019 of approximately HK\$2.4 million. The loss attributable to owners of the Company was mainly due to (i) delay in progress of certain projects as a result of the outbreak of the novel coronavirus (COVID-19) epidemic and lower value of contracts awarded to the Group, resulting in the decrease in the Group's revenue and gross profit; (ii) loss arising from change in fair value of the financial assets at FVTPL; and (iii) an increase in finance cost due to increase in borrowings and lease liabilities during the year ended 31 March 2020.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

There has been no change in the capital structure of the Group since 16 October 2017 (the "**Listing Date**"). The capital of the Company only comprises ordinary shares.

The Group finances its liquidity and capital requirements primarily through cash generated from operations, bank and other borrowings and equity contribution from shareholders.

As at 31 March 2020, the Group had bank and cash balances of approximately HK\$5.5 million (2019: approximately HK\$15.3 million).

As at 31 March 2020, the Group's total equity attributable to owners of the Company amounted to approximately HK\$62.6 million (2019: approximately HK\$75.2 million). As of the same date, the Group's total debts, comprising bank and other borrowings and lease liabilities, amounted to approximately HK\$47.5 million (2019: approximately HK\$28.4 million).

The Directors believe that the Group is in a healthy financial position to expand its business and pursue its business objectives.

BORROWINGS AND GEARING RATIO

As at 31 March 2020, the Group had total debts (summation of bank and other borrowings and lease liabilities) of approximately HK\$47.5 million (2019: bank and other borrowing and finance lease payables approximately HK\$28.4 million). The Group's bank and other borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 March 2020, the gearing ratio of the Group, which was defined as the total debts divided by the total equity, was approximately 75.9% (2019: approximately 37.8%).

FOREIGN EXCHANGE EXPOSURE

The revenue generating from operations and borrowings raised of the Group was mainly transacted in Hong Kong Dollars which are the presentation currency of the Group. As such, the Directors are of the view that the Group did not have significant disclosure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CHARGE ON GROUP ASSETS

As at 31 March 2020, the Group has pledged its plant and machinery with an aggregate net book value of approximately HK\$21.4 million (2019: approximately HK\$20.2 million).

CONTINGENT LIABILITIES

As at 31 March 2020 and 2019, the Group were exposed to the liabilities under the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) and common law for injuries at work in respect of all their employees. During the year, all the construction projects were covered by the employees' compensation insurance and contractors' all risks insurance taken out by the main contractors of the construction projects the Group participated in. Such insurance policies covered and protected all employees of the Group of all tiers working in the relevant construction sites. Other than that, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 March 2020, the Group had no material capital commitments (2019: Nil) contracted but not provided for property, plant and equipment.

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed in note 5 of this announcement.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year ended 31 March 2020, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures. There is no other plan for material investments or capital assets as at 31 March 2020.

INFORMATION ON EMPLOYEES

As at 31 March 2020, the Group had 98 full-time employees working in Hong Kong (2019: 66). The total staff costs, including Directors' emoluments and mandatory provident fund contributions, of the Group were approximately HK\$34.1 million for the year ended 31 March 2020 (2019: approximately HK\$33.3 million).

Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees.

PURCHASE, SALE OR REDEMPTION OR LISTED SECURITIES OF THE COMPANY

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

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2020 (2019: HK\$Nil).

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus of the Company dated 29 September 2017 (the “**Prospectus**”) and the announcement dated 10 September 2018 in relation to the change in use of proceeds (the “**Announcement**”) with the Group’s actual business progress for the period from the Listing Date to 31 March 2020 is set out below:

| Business strategies as stated in the Prospectus and the Announcement | Business objectives up to 31 March 2020 as stated in the Prospectus and the Announcement | Actual business progress up to 31 March 2020 |
|---|---|--|
| Expansion of the Group’s scope of services | Recruit 1 site agent, 1 quantity surveyor and 1 account manager, 2 site engineers and 2 assistant engineers to support the Group’s increasing foundation project works and business growth, as well as to support the Group’s quarterly reporting after the Listing | The Group has recruited 1 site agent, 1 quantity surveyor, 1 account manager, 2 site engineers and 2 assistant engineers to cope with the business development (<i>note</i>) |
| Expansion of the Group’s capacity | Acquire 1 set of oscillator, 1 set of RCD rig and 1 set of piling machine with accessories | The Group has purchased 1 set of oscillator, 1 set of RCD rig and 1 set of piling machine with accessories (<i>note</i>) |

Note: Save as disclosed in the Announcement, in view of the trend of private development programs and supported by the Group’s awarded contracts, the Directors anticipate that the demand for construction of small diameter pre-bored piles will increase in the coming future. Further, with the expansion of the Company’s capacity and with the increasing numbers of project sites, the Directors consider that technical staff including site engineers and quantity surveyors become more essential to the Company’s operational management team. Hence, in order to utilise the net proceeds from the Listing effectively, the Directors consider that it would be more suitable and practical for the Group to acquire one full set of piling machine with accessories which are used for construction of small diameter pre-bored piles and recruited additional technical staffs instead of acquiring one crawler crane to implement the expansion plans of the Company.

USE OF PROCEEDS

The net listing proceeds from the Listing received by the Company, after deducting underwriting fees and other related expenses, were approximately HK\$28.4 million. These proceeds were applied in the manner as described in the section headed “Future Plans and Use of Proceeds” in the Prospectus and the Announcement.

As at 31 March 2020, the net listing proceeds has been applied and utilised as follows:

| | Planned use of net proceeds as stated in the Prospectus and the Announcement up to 31 March 2020 (HK\$ million) | Actual use of proceeds up to 31 March 2020 (HK\$ million) | Unutilised net proceeds up to 31 March 2020 (HK\$ million) |
|--|--|--|---|
| Expansion of the Group's scope of services | 8.4 | 7.6 | 0.8 |
| Expansion of the Group's capacity | 17.3 | 16.7 | 0.6 |
| General working capital | 2.7 | 2.7 | – |
| Total | 28.4 | 27.0 | 1.4 |

As at 31 March 2020, approximately HK\$27.0 million out of the net proceeds from the Listing had been used. The remaining unutilised net proceeds were deposited in licensed banks in Hong Kong. The Company intends to apply the net proceeds in the manner as stated in the Prospectus and the Announcement. Such amounts are expected to be fully utilised during the year ending 31 March 2021. However, the Directors will constantly evaluate the Group's business objectives and may change or modify the Group's plans against the changing market conditions to attain sustainable business growth of the Group.

CORPORATE GOVERNANCE PRACTICE

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. For corporate governance purpose, the Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") set out in Appendix 15 of the GEM Listing Rules. During the year ended 31 March 2020, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.68 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company (the "Required Standard of Dealings"). Following specific enquiries to all the Directors, each of them has confirmed that he has complied with the Required Standard of Dealing and there was no event of non-compliance throughout the year.

EVENTS AFTER THE REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

AUDIT COMMITTEE

The audit committee of the Company comprising three independent non-executive Directors (the “**Audit Committee**”) was established on 22 September 2017. The chairman of the Audit Committee is Mr. Leung Wai Hung, the independent non-executive Director, and other members included Mr. Cheung Chung Chuen George and Mr. Law Ching Ning Paschal, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statement for the year ended 31 March 2020.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by RSM Hong Kong 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 HKICPA and consequently no assurance has been expressed by RSM Hong Kong on this preliminary announcement.

The Group's annual results for the year ended 31 March 2020 has been reviewed by the Audit Committee.

APPRECIATION

On behalf of the Board, the Chairman of the Company, Mr. Tang Kwai Leung Stanley, would like to take this opportunity to express his sincere gratitude to the management and staff of the Group for their hard work and dedication as well as to its shareholders and business companies for their continued support.

By order of the Board
Beaver Group (Holding) Company Limited
Tang Kwai Leung Stanley
Chairman and Executive Director

Hong Kong, 26 June 2020

As at the date of this announcement, the Board comprises Mr. Tang Kwai Leung Stanley and Mr. Chui Koon Yau as executive Directors; and Mr. Cheung Chung Chuen George, Mr. Law Ching Ning Paschal and Mr. Leung Wai Hung as independent non-executive Directors.

This announcement will remain on the website of Stock Exchange at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and will be published on the Company’s website at www.beavergroup.com.hk.