You should read this section in conjunction with our combined financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. Our Company's combined financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Company in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Company believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Company's expectations and projections will depend on a number of risks and uncertainties over which our Company does not have control. For further information, you should refer to the section "Risk factors" in this prospectus.

OVERVIEW

We are principally engaged as a main contractor in Hong Kong in the provision of (i) building construction services; and (ii) RMAA works services. As a main contractor, we are responsible for the overall management, implementation and supervision of our projects. On award of contracts from our customers, we generally sub-contract the works to our sub-contractors by trade on a back-to-back basis of the main contract. We primarily focus on project management, devising detailed work programmes, procurement of major construction materials, site operation, co-ordination with the customers or their consultants and the quality control of the works carried by the sub-contractors.

As a main contractor, we normally secure our projects through a tendering process. We usually identify Government projects through reviewing the tender invitations from various Government departments published on the Gazette. As for projects from non-Government customers, we are generally invited by the customers by way of invitation letters to submit a tender for a potential project.

Our Group holds various construction related license and qualifications granted by the respective Government departments that enable us to bid for and carry out Government contracts. Our Group is listed on the Contractor List and the Specialist List maintained by the WBDB. The Contractor List and the Specialist List are lists of contractors approved by the WBDB who are eligible to tender for Government contracts. Our Group achieved listing as a Group C (confirmed) contractor for "Buildings" category in the Contractor List since June 2009. Group C (confirmed) contractors are the highest ranking contractors in the Contractor List in terms of tender limit, and are eligible to tender for public works contracts of any values exceeding HK$185.0 million.

In addition, our Group is one of the contractors registered under the "Repair and Restoration of Historic Buildings" category of the Specialist List and is allowed to carry out works in relation to repair and restoration of Western-style historic buildings in Hong Kong. During the Track Record Period, we acted as the main contractor and completed various revitalisation projects, including the PMQ Project. For further details of the major licenses and qualifications held by our Group as at the Latest Practicable Date, please refer to the paragraph headed "Business — Legal Compliance — License and Qualifications" in this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

The major factors affecting our business, financial condition and results of operations are set out below.

(i) Government's level of spending on construction projects in Hong Kong

During the Track Record Period, we derived the majority of our revenue from construction projects in the public sector. For the years ended 31 March 2014 and 2015, revenue derived from the Government and quasi-Government organisations accounted for approximately 90.8% and 74.0% of our total revenue. Public construction projects are non-recurring in nature and thus the level of the Government's spending budget may change from year to year. Accordingly, any substantially reduction or delay in the level of spending on public construction works by the Government may adversely affect our business, financial condition and results of operation.

(ii) Pricing of our projects

Our ability to compete for and continually secure sizeable and profitable construction contracts is one of the major factors affecting our growth and future profitability. All of our revenue during the Track Record Period is derived from our projects obtained by means of tender. Our Group adopts an estimated project costs plus profit margin pricing policy in determining our tender price. Given the keen competition of the construction industry, we have to ensure that we have set a competitive tender price for our project while maintaining adequate profit margin. During the years ended 31 March 2014 and 2015, the gross profit margins of our business amounted to approximately 14.1% and 14.5% respectively. Our failure to strike a balance between pricing our projects competitively and maintaining an adequate profit margin or price our tenders accurately will affect our financial performance and results of operations.

Our customer may issue instructions ordering variation to the design, quality or quantity of the works in the course of our performance of the relevant contracts. Where the work for variation is not similar in character to work prescribed in the contract, we estimate the costs of each variation order and may negotiate with our customers for charge of additional costs incurred. As such, disagreements with our customers may arise in respect of the fees, costs and scope of the variation works. Where our customers and our Group fail to reach an agreement on the price at which the variation works are performed, our customers are entitled to fix the price which, is in their opinion, reasonable. Contractual disputes with our customers may arise if we do not agree with such price, and in such event our results of operations and financial position may be adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical changes of revenue on our profit before taxation for the years ended 31 March 2014 and 2015, with reference to the historical fluctuation of our revenue from 2014 to 2015:

	Impact on profit before taxation	
	For the year ended 31 March	
	2014	**2015**
	HK$'000	**HK$'000**
Revenue fees change by:		
+20%	34,444	41,406
+10%	17,222	20,703
+5%	8,611	10,351
–5%	(8,611)	(10,351)
–10%	(17,222)	(20,703)
–20%	(34,444)	(41,406)

(iii) Fluctuations in our sub-contracting fees

Our major direct costs include (i) sub-contracting fees; (ii) materials costs; (iii) labour costs; and (iv) site overhead. During the years ended 31 March 2014 and 2015, sub-contracting fees constitute the largest component of our direct costs, amounting to approximately 67.1% and 70.0% of our total direct costs. Our Group adopts a cost-plus pricing model for setting our tender price. For the purpose of preparing the tender price, we may obtain preliminary quotations from our sub-contractors in order to have a more accurate estimation for the project cost to be involved. However, the actual sub-contracting fees will not be determined until after we have entered into agreements with our sub-contractors, which generally take place subsequent to our Group having entered into the construction agreement with our customer. Our profitability therefore relies heavily on our ability to control and manage our sub-contracting fees. Any fluctuations in the sub-contracting fees after tendering and our ability to include an appropriate cost estimate in the tender will have an impact on our profitability. Please refer to the section headed "Financial Information — Results of Operations — Direct Costs" in this prospectus for the sensitivity analysis on our sub-contracting fees.

(iv) Timing of collection of our trade receivables and retention receivables

We receive progress payment from our customers pursuant to the respective contractual terms. Our Group normally submits payment applications to our customers on a monthly basis. If the customer is satisfied with the payment application, a payment certificate will be issued to us and payment will subsequently be made. There can be no assurance that we will be paid on time.

As at 31 March 2015, our trade receivables amounted to approximately HK$20.7 million and our retention receivables amounted to approximately HK$8.8 million. Any failure by our customers to make payment to our Group on a timely basis may have an adverse effect on our liquidity and financial position.

BASIS OF PRESENTATION

Our Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 28 May 2015. Before the completion of the Reorganisation, Techoy Construction is wholly owned by Mr. Lam. In preparation of the Listing, the companies comprising our Group underwent the Reorganisation, further details of which are explained in the section headed "History and Development — Reorganisation" to this prospectus.

Pursuant to the completion of Reorganisation, on 22 September 2015, our Company has become the holding company of the companies now comprising our Group. Our Group comprising our Company and our Subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the combined financial statements has been prepared as if our Company had always been the holding company of our Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period and the statements of financial position as at 31 March 2014 and 2015 as set out in Section A of the Accountants' Report in Appendix I to this prospectus are prepared as if the current group structure had been in existence throughout the Track Record Period.

When necessary, adjustments are made to the financial statements of our Subsidiaries to bring their accounting policies into line with our Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of our Group are eliminated in full on combination.

CRITICAL ACCOUNTING POLICIES

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable.

Revenue from construction contracts is based on the stage of completion at the end of the reporting period. The percentage of completion is determined using methods that measure reliably the work performed. The methods used include reference to surveys of work performed or the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment loss on tangible assets

At the end of the reporting period, our Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, our Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on the proportion that revenue recognised with reference to surveys of work performed to date relative to the estimated total contract revenue or the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade receivables.

Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Our Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, amounts due from a related company and a director, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on trade receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities

Our Group's financial liabilities including trade and bills payables, other payables and accrued charges and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Our Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Our Group derecognises financial liabilities when, and only when, our Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of our Group's accounting policies, which are described in Note 3 in the Accountants' Report of our Company set out in Appendix I to this prospectus, our management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Construction contract

Our Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by our management on the basis of quotations from time to time provided by our major contractors, suppliers or vendors involved and the experience of our management. In order to keep the budget accurate and up-to-date, our management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

Recognised amounts of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

RESULTS OF OPERATIONS

The following table sets out our Group's consolidated statements of profit or loss and other comprehensive income for the years end 31 March 2014 and 2015. This information is derived and should be read in conjunction with the consolidated financial information contained in the Accountant's Report in Appendix I to this prospectus.

	For the year ended 31 March	
	2014	2015
	HK$'000	HK$'000
Revenue	172,221	207,031
Direct costs	(147,970)	(176,953)
Gross profit	24,251	30,078
Other income	120	212
Other gains and losses	(108)	165
Administrative expenses	(8,949)	(8,940)
Finance costs	(465)	(203)
Profit before taxation	14,849	21,312
Income tax expense	(2,503)	(3,516)
Profit and total comprehensive income for the year attributable to the owners of the Company	12,346	17,796

DESCRIPTION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our Group's revenue was principally generated from the provision of building construction services and RMAA works services in Hong Kong. The following table sets forth a breakdown of our revenue and the percentage contribution to our total revenue by business segment and by source of projects for the periods indicated:

	Revenue for the year ended 31 March			
	2014		2015	
	HK$'000	%	HK$'000	%
Building construction *(Note 1)*	143,540	83.3	134,281	64.9
RMAA works *(Note 1)*	28,681	16.7	72,750	35.1
Total	172,221	100.0	207,031	100.0

Note:

1. For each of the year ended 31 March 2014 and 2015, revenue was recorded from both building construction and RMAA parts of our PMQ Project. The relevant amount from each segment of works under the PMQ Project during the particular financial year was calculated separately in accordance with the classification in the table above.

	Revenue for the years ended 31 March			
	2014		2015	
	HK$'000	%	HK$'000	%
Government departments and quasi-Government organisations *(Note 1)*	161,185	93.6	154,052	74.4
Private customers (including but not limited to universities, schools, incorporated owners of private buildings and other private customers)	11,036	6.4	52,979	25.6
Total	172,221	100.0	207,031	100.0

Note:

1. Quasi-Government organisations shall include a statutory body in Hong Kong with focus on housing development, a statutory body in Hong Kong with focus on managing all the public hospitals and institutes and a statutory body in Hong Kong with focus on promoting safety and health at work and sustaining the workforce.

We recognise revenue from our construction contracts based on the stage of completion of the contracts. The stage of completion is established by reference to construction works certified. The following table sets forth a breakdown of our revenue by building construction contracts and RMAA works contracts during the Track Record Period.

	For the year ended 31 March			
	2014		2015	
	HK$'000	%	HK$'000	%
Project Site				
Building construction				
PMQ Project	143,540	83.3	28,402	13.7
A hospital located at Argyle Street, Kowloon ("Argyle Street Project")	—	—	105,879	51.1
RMAA works				
An international secondary school at Nam Long Shan Road, Aberdeen ("Nam Long Shan Road Project")	—	—	29,766	14.4
PMQ Project	50	0.1	14,941	7.2
A primary school at Kwong Lee Road, Sham Shui Po ("Kwong Lee Road Project")	—	—	10,378	5.0
A monument for the university located at Pok Fu Lam, Hong Kong ("Pok Fu Lam Project I")	1,949	1.1	9,269	4.5
A public housing estate at Tin Sau Road, Tin Shui Wai ("Tin Sau Road Project")	5,332	3.1	2,637	1.3
A building of the Faculty of Business and Economics of the university located at Pok Fu Lam, Hong Kong ("Pok Fu Lam Project II")	4,590	2.7	1,611	0.8
Choi Hung Estate, Shun Tin Estate, Ping Shek Estate and Kai Tin Estate in Kowloon East region ("Kowloon East Region Project")	4,374	2.5	312	0.2
Two buildings of a public housing estate at Healthy Street East, North Point ("Healthy Street East Project")	3,468	2.0	970	0.5
A technology hub and learning centre in the library of the university located at Pok Fu Lam, Hong Kong ("Pok Fu Lam Project III")	2,386	1.4	—	—
A 24-classroom primary school in So Kwun Wat, Tuen Mun ("So Kwun Wat Project")	1,560	0.9	—	—
A 6-storey primary school to training centre located at Chung Mei Road, Tsing Yi ("Chung Mei Road Project")	1,294	0.8	319	0.1
Other *(Note)*	3,678	2.1	2,547	1.2
	172,221	100.0	207,031	100.0

Note: Others mainly represent those RMAA projects contributing revenue of HK$1.0 million or less to our Group for each of the financial years.

Our Group generally adopts a cost-plus pricing model in setting our tender price for our construction contracts. Our pricing policy takes into account various factors including: (i) the nature, scope and complexity of the project; (ii) estimated direct labour costs; (iii) estimated sub-contracting charges; (iv) estimated type and number of machinery required; (v) estimated type and amount of materials needed; (vi) expected project timetable provided by customer; (vii) prevailing market condition; and (viii) relationship with and background of our customer.

Changes in our project mix

Our Group had a total of 10 and 11 major projects with contract value larger than HK$1.0 million contributing to our revenue during the years ended 31 March 2014 and 2015, respectively. While the total number of projects remained relatively stable during the Track Record Period, our overall revenue recorded an increase by approximately HK$34.8 million or 20.2% from year ended 31 March 2014 to year ended 31 March 2015. The increase was primarily attributable to our expansion into RMAA segment during the same period to capture the growth in RMAA industry in Hong Kong and to broaden our customer base.

According to the Ipsos Report, the revenue of RMAA contracting services experienced a positive growth from around HK$31.0 billion in 2010 to around HK$51.4 billion in 2014 at a CAGR of around 13.5%. The main reasons for the upward trend include (i) the Government has implemented various policies to stimulate urban renewal plans with aim to support owners to improve building safety; and (ii) increasing number of commercial building owners adopting RMAA works to enhance appearance and durability of office and retail spaces for potential tenants and customers. To capture such growth, our Directors decided to broaden our revenue basis and expand further into RMAA segment in 2013.

The amount of revenue contributed by our building construction segment remained at a similar level during the two years ended 31 March 2014 and 2015, while the revenue contributed by our RMAA segment significantly increased by approximately HK$44.1 million or 153.7% during the year ended 31 March 2015. We recorded lower revenue of approximately HK$28.7 million from the RMAA segment in the year ended 31 March 2014 since (i) we adopted a competitive pricing approach in setting a tender price at cost such that we can expand and strengthen our market share and reputation in the RMAA services industry in Hong Kong; and (ii) we tendered for smaller and less complex RMAA projects with smaller contract sum to solidify our capability and experience in the RMAA industry.

Leveraging the award of our qualification in the "Repair and Restoration of Historic Buildings" category under the Specialist List in 2013, our proven capability in providing quality RMAA services and the continued increasing demand in RMAA services, we adjusted our pricing and tendering approach in the year ended 31 March 2015 by tendering for RMAA contracts of larger contract sum and setting a tender price that allow us to attain a higher gross profit margin comparing to that in the year ended 31 March 2014. As a result, the revenue contribution from the RMAA segment increased to approximately HK$72.8 million in the year ended 31 March 2015. The average revenue recognised per major RMAA contract increased from approximately HK$2.8 million for the year ended 31 March 2014 to approximately HK$7.8 million for the year ended 31 March 2015 respectively.

Going forward, our Group shall continue to keep track of the tenders in both business segments. In deciding whether or not to bid for a specific tender, our Group would take into consideration several principal factors including, but not limited to, the profitability of the project, complexity and technicality involved, our capacity during the contract period and availability of suitable sub-contractors and workers. For further details of our business strategies, please refer to the section headed "Business — Business Strategies" to this prospectus.

Direct costs

Our direct costs primarily represent costs directly associated with the provision of our building construction and RMAA works services. The table below sets forth a breakdown of our direct costs by nature and percentage contribution to total direct costs for the periods indicated:

	For the year ended 31 March			
	2014		2015	
	HK$'000	% to direct costs	HK$'000	% to direct costs
Sub-contracting fees	99,257	67.1	123,835	70.0
Material costs	2,671	1.8	12,501	7.1
Direct staff costs	13,466	9.1	17,242	9.7
Site overhead	32,576	22.0	23,375	13.2
Total	147,970	100.0	176,953	100.0

Being the largest component of our direct costs during the Track Record Period, sub-contracting fee represents services fees we paid to our sub-contractors for various services. Material costs primarily include costs of procuring materials such as stainless steel and concrete for construction projects. Direct staff costs primarily include the salaries, wages and other benefits provided for our workers such as site agents, safety officers and foreman who are directly involved in the construction projects. Site overhead primarily include, but not limited to, (i) insurance expenses for contractors' all risks insurance and employees' compensation insurance; (ii) costs of miscellaneous site expenditure such as hiring of plant and machinery and establishment of temporary site officers; and (iii) others such as parts and consumables, electricity and water, parts and consumables, transportation and dumping charges.

We recorded an increase in our direct costs by approximately 19.6% from approximately HK$148.0 million for the year ended 31 March 2014 to approximately HK$177.0 million for the year ended 31 March 2015, which was in line with the increase in our revenue by approximately 20.2% during the same period. During the Track Record Period, sub-contracting fees constitute the largest component of our direct costs, amounting to approximately 67.1% and 70.0% of our total direct costs.

The table below sets forth a breakdown of our direct costs and the percentage contribution to our total direct costs for the period indicated by business segment and by source of projects.

	For the year ended 31 March			
	2014		2015	
	HK$'000	% to direct costs	HK$'000	% to direct costs
Building construction	119,369	80.7	118,084	66.7
RMAA works	28,601	19.3	58,869	33.3
Total	147,970	100.0	176,953	100.0

	For the years ended 31 March			
	2014		2015	
	HK$'000	%	HK$'000	%
Government departments and quasi-Government organisations	135,966	91.9	129,513	73.2
Private customers (including but not limited to universities, schools, incorporated owners of private buildings and other private customers)	12,004	8.1	47,440	26.8
Total	147,970	100.0	176,953	100.0

The following sensitivity analysis illustrates the impact of hypothetical changes of sub-contracting fees, material costs, direct staff costs and site overhead on profit before taxation for the years ended 31 March 2014 and 2015, with reference to the historical fluctuation of our direct costs from 2014 to 2015:

	Impact on profit before taxation	
	For the year ended 31 March	
	2014	2015
	HK$'000	HK$'000
Sub-contracting fees change by:		
+20%	(19,851)	(24,767)
+10%	(9,926)	(12,384)
+5%	(4,963)	(6,192)
–5%	4,963	6,192
–10%	9,926	12,384
–20%	19,851	24,767

	Impact on profit before taxation	
	For the year ended 31 March	
	2014	2015
	HK$'000	HK$'000
Material costs change by:		
+20%	(534)	(2,500)
+10%	(267)	(1,250)
+5%	(134)	(625)
–5%	134	625
–10%	267	1,250
–20%	534	2,500

	Impact on profit before taxation	
	For the year ended 31 March	
	2014	2015
	HK$'000	HK$'000
Direct staff costs change by:		
+20%	(2,693)	(3,448)
+10%	(1,347)	(1,724)
+5%	(673)	(862)
–5%	673	862
–10%	1,347	1,724
–20%	2,693	3,448

	Impact on profit before taxation	
	For the year ended 31 March	
	2014	2015
	HK$'000	HK$'000
Site overhead change by:		
+20%	(6,515)	(4,675)
+10%	(3,258)	(2,338)
+5%	(1,629)	(1,169)
–5%	1,629	1,169
–10%	3,258	2,338
–20%	6,515	4,765

Gross Profit

The following table sets forth our gross profits and gross profit margins by business segment and by source of projects for the periods indicated.

	For the year ended 31 March			
	2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	%	HK$'000	%
Building construction	24,171	16.8	16,197	12.1
RMAA works	80	0.3	13,881	19.1
Total	24,251	14.1	30,078	14.5

	For the year ended 31 March			
	2014		2015	
	Gross profit (loss)	Gross profit (loss) margin	Gross profit	Gross profit margin
	HK$'000	%	HK$'000	%
Government departments and quasi-Government organisations	25,219	15.6	24,539	15.9
Private customers (including but not limited to universities, schools, incorporated owners of private buildings and other private customers)	(968)	(8.8)	5,539	10.5
Total	24,251	14.1	30,078	14.5

During the years ended 31 March 2014 and 2015, our gross profit was approximately HK$24.3 million and HK$30.1 million and our gross profit margins were 14.1% and 14.5% for the years ended 31 March 2014 and 2015 respectively. Our gross profit margin is mainly driven by our tender price of the projects which stemmed from various factors, including but not limited to (i) the nature, scope and complexity of the project; (ii) estimated direct labour costs; (iii) estimated sub-contracting charges; (iv) estimated type and number of machinery required; (v) estimated type and amount of materials needed; (vi) expected project timetable provided by our customer; (vii) prevailing market condition; and (viii) relationship with and background of our customer. Accordingly, for all of our projects, be they building construction or RMAA, Government or non-Government, our Directors are of the view that no clear benchmark of profit margin based on our two business segments could be established. It is our Directors' objective to maximise gross profit margin for each project. Our overall gross profit margin remained stable during the years ended 31 March 2014 and 2015 primarily because the decrease in gross profit of our building construction business was offset by the increase in the gross profit of our RMAA business.

Other income

Other income represents management fee received from Popstate for the provision of administrative and accounting services by our Group to such company, and bank interest income. The following table sets forth the breakdown of other income for the years ended 31 March 2014 and 2015:

	For the year ended 31 March			
	2014		2015	
	HK$'000	%	HK$'000	%
Management fee received from Popstate	120	100.0	120	56.6
Bank interest income	—	—	92	43.4
Total	120	100.0	212	100.0

Other gains and losses

Other gains and losses are principally net loss on disposal/dissolution of subsidiaries and gain on disposal of plant and equipment. During the Track Record Period, we recorded other losses of approximately HK$108,000 in the year ended 31 March 2014 and other gains of approximately HK$165,000 in the year ended 31 March 2015. Our other losses of approximately HK$108,000 for the year ended 31 March 2014 was primarily resulted from the loss on disposal of a subsidiary, Techoy Engineering Company Limited, which was partially set off by the gain on dissolution of a subsidiary Well Yield Industrial Limited. Our other gains of approximately HK$165,000 for the year ended 31 March 2015 was primarily resulted from net gains arising from the trade-in of motor vehicles.

Administrative expenses

Administrative expenses mainly include staff costs, rental, depreciation, entertainment and others. During the years ended 31 March 2014 and 2015, the administrative expenses amounted to approximately HK$8.9 million and HK$8.9 million respectively.

The following table sets forth the breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 March			
	2014		2015	
	HK$'000	%	HK$'000	%
Staff costs	6,162	68.8	5,257	58.8
Rental	600	6.7	1,302	14.6
Depreciation	499	5.6	664	7.4
Entertainment	725	8.1	578	6.5
Others	963	10.8	1,139	12.7
Total	8,949	100.0	8,940	100.0

Staff cost primarily includes salaries, wages and bonuses, contributions to defined contribution retirement plan and directors' remuneration. Depreciation mainly represents depreciation charges for the motor vehicles. Others mainly includes staff welfare, travelling expenses, general expenses on machinery and equipment, and other sundry expenses.

Our staff costs decreased by approximately HK$0.9 million or 14.7% from approximately HK$6.2 million in the year ended 31 March 2014 to approximately HK$5.3 million in the year ended 31 March 2015, primarily because we allocated more of our employees to our project teams in the year ended 31 March 2015 and hence the remuneration paid to such employees are regarded as remuneration paid to employees who are directly involved in the construction projects and are charged to the direct staff costs under our direct costs instead.

Our rental increased by approximately HK$0.7 million or 117.0% from approximately HK$0.6 million in the year ended 31 March 2014 to approximately HK$1.3 million in the year ended 31 March 2015, primarily due to the renewal of the tenancy agreement with the landlord Popstate, in relation to our leased office in Lai Chi Kok in the year ended 31 March 2015 to reflect the increase in market value of the property, which resulted in the increase in rental payable under the relevant lease.

Finance costs

Finance costs represent interest on bank borrowings and obligations under finance leases wholly repayable within five years. The table below sets forth the total finance costs of our Group and amount charged to profit or loss of our Group during the Track Record Period.

	For the year ended 31 March	
	2014	2015
	HK$'000	HK$'000
Interest on:		
— Bank borrowings wholly repayable within five years	411	150
— Obligations under finance leases in relation to motor vehicles wholly repayable within five years	54	53
	465	203

Income tax expenses

Our Group was not subject to any income tax in the Cayman Islands and BVI during the Track Record Period. The provision for Hong Kong profit tax was calculated at 16.5% of our estimated assessable profits for the Track Record Period.

Period to period comparison of results of operations

Year ended 31 March 2014 compared to year ended 31 March 2015

Revenue

The overall revenue of our Group increased by approximately HK$34.8 million or 20.2% from HK$172.2 million for the year ended 31 March 2014 to approximately HK$207.0 million for the year ended 31 March 2015, which was primarily due to increase in revenue derived from our RMAA business.

1. Building construction and RMAA projects

Building construction

Our building construction revenue decreased by approximately HK$9.3 million or 6.5%, from approximately HK$143.5 million for the year ended 31 March 2014 to approximately HK$134.3 million for the year ended 31 March 2015, representing approximately 83.3% and 64.9% of our total revenue respectively. Such decrease was primarily due to the decrease in revenue recognised by approximately HK$115.1 million for the PMQ Project, as a greater portion of this project was completed during the year ended 31 March 2014 and contributed revenue of approximately HK$143.5 million for that year, while only approximately HK$28.4 million of revenue was recognised for the year ended 31 March 2015. The decrease was partially offset by the commencement of the Argyle Street Project in the year ended 31 March 2015, which contributed revenue of approximately HK$105.9 million for that year, while no revenue was recognised for the year ended 31 March 2014.

RMAA works

Our RMAA works revenue increased by approximately HK$44.1 million or 153.7%, from approximately HK$28.7 million for the year ended 31 March 2014 to approximately HK$72.8 million for the year ended 31 March 2015, representing approximately 16.7% and 35.1% of our total revenue respectively. The increase was primarily attributable to:

(i) the change in our project mix as a result of our Group shifting focus to RMAA projects during the Track Record Period. When our Group expanded into the RMAA industry in 2013, in order to secure contracts and increase our market share, we generally targeted smaller RMAA contracts and submitted tenders with at cost pricing. Most of these projects lasted until the year ended 31 March 2014, which led to the low revenue contribution from our RMAA segment in the same year. Upon the strengthening of our experience and capability in the RMAA industry, our Group began targeting larger RMAA projects and submitted higher tender prices with a view to optimise our profits and to counter the anticipated inflation rate. The average revenue recognised per major RMAA contract increased from approximately HK$2.8 million for the year ended 31 March 2014 to approximately HK$7.8 million for the year ended 31 March 2015 respectively. Since the number of RMAA projects that contributed to our revenue remained relatively stable during the Track Record Period, the increase in scale and contract sum of RMAA contracts undertaken by our Group in the year ended 31 March 2015 contributed to the increase in our RMAA works revenue in the same period;

(ii) the recognition of revenue for the year ended 31 March 2015 in the amount of approximately HK$29.8 million from the Nam Long Shan Road Project, which commenced and had a substantial portion of the related work completed during the year ended 31 March 2015. Since such project had yet to be commenced during the year ended 31 March 2014, no revenue was recognised for that year; and

(iii) an increase in revenue recognised by approximately HK$32.6 million in aggregate for three of our RMAA projects, namely the PMQ Project, Pok Fu Lam Project I, and Kwong Lee Road Project, which had a substantial portion of work completed during the year ended 31 March 2015 and contributed an aggregate revenue of approximately HK$34.6 million for that year. Since these projects were still at their early stages during the year ended 31 March 2014, they only contributed an aggregate of approximately HK$2.0 million of our revenue for that year.

Such increase in revenue during the year ended 31 March 2015 was partially offset by the decrease in revenue recognised by approximately HK$14.7 million for another five of our RMAA projects, namely the Tin Sau Road Project, Pok Fu Lam Project II, Healthy Street East

Project, Pok Fu Lam Project III and Kowloon East Region Project, which had a substantial portion of work completed during the year ended 31 March 2014, with approximately HK$20.2 million of revenue was recognised during the year ended 31 March 2014 while only approximately HK$5.5 million of revenue was recognised during the year ended 31 March 2015 in aggregate.

2. Government, quasi-Government and private projects

Government and quasi-Government projects

During the Track Record Period, our building construction projects were primarily awarded by the Government and quasi-Government organisations. Our revenue from Government and quasi-Government projects remained relatively stable at approximately HK$161.2 million and HK$154.1 million for the year ended 31 March 2014 and 2015, respectively, primarily attributable to the decrease in revenue recognised from the building construction part of the PMQ Project, which was awarded by the Architectural Services Department, by approximately HK$115.1 million for the year ended 31 March 2015 was largely offset by (i) the Argyle Street building construction project, which was awarded by a statutory body with focus on managing all public hospitals and institutes, which commenced and substantially completed during the year ended 31 March 2015 with revenue contribution of approximately HK$105.9 million; and (ii) the increase in revenue from Government and quasi-Government RMAA projects by approximately HK$2.1 million during the year ended 31 March 2015.

Private projects

During the Track Record Period, our private projects were primarily RMAA in nature. Our revenue from private projects increased by approximately HK$42.0 million or 380.1% from approximately HK$11.0 million in the year ended 31 March 2014 to approximately HK$53.0 million in the year ended 31 March 2015, primarily due to (i) the commencement of the Nam Long Shan Road RMAA project, which was awarded by an international secondary school, with revenue contribution of approximately HK$29.8 million for the year ended 31 March 2015 while no revenue was recognised for the year ended 31 March 2014; (ii) the increase in revenue from Pok Fu Lam Project I, which was awarded by an university, during the year ended 31 March 2015, by approximately HK$7.3 million; and (iii) the increase in revenue from Kwong Lee Road project, which was awarded by a school, by approximately HK$10.4 million. The increase was partially offset by the decrease in revenue contribution from Pok Fu Lam Project II and Pok Fu Lam Project III, which were both awarded by an university, by approximately HK$5.4 million.

Direct costs

Our direct costs increased by approximately HK$29.0 million or 19.6%, from approximately HK$148.0 million for the year ended 31 March 2014 to approximately HK$177.0 million for the year ended 31 March 2015. Such increase was in line with the increase in our revenue by approximately 20.2% during the same period. The increase was primarily due to (i) the increase in sub-contracting fees by approximately HK$24.6 million or 24.8% in the year ended 31 March 2015; and (ii) the increase in material costs by approximately HK$9.8 million or 368.0% in the year ended 31 March 2015. The significant increase in material costs in the year ended 31 March 2015 was primarily attributable to our Argyle Street Project commenced in the year ended 31 March 2015 where we were contractually required to provide a substantive portion of construction materials required, in particular steel and concrete.

Gross profit and gross profit margin

In line with the increase in our revenue, our gross profit increased by approximately HK$5.8 million or 24.0%, from approximately HK$24.3 million for the year ended 31 March 2014 to approximately HK$30.1 million for the year ended 31 March 2015. Our gross profit margin was approximately 14.1% and 14.5% in the year ended 31 March 2014 and 2015 respectively. The gross profit margin stabilised at about the same level primarily because the decrease in gross profit of our building construction business was offset by the increase in the gross profit of our RMAA business.

Gross profit margin of building construction and RMAA projects

Gross profit margin of our building construction business decreased from approximately 16.8% in the year ended 31 March 2014 to approximately 12.1% in the year ended 31 March 2015. Our gross profit from building construction business in the year ended 31 March 2014 was entirely attributable to our PMQ Project. Given the size, complexity, tight schedule and the requirement of expertise in heritage revitalisation in the PMQ Project, we were in a better position to tender with a higher margin. For the year ended 31 March 2015, revenue from the PMQ Project amounted to only approximately 21.2% of the total revenue from our building construction business. The decrease in our gross profit margin from building construction business in the year ended 31 March 2015 was primarily attributable to our Argyle Street Project which has a lower profit margin when comparing to the PMQ Project.

Gross profit margin of our RMAA business increased significantly from approximately 0.3% for the year ended 31 March 2014 to approximately 19.1% for the year ended 31 March 2015. We recorded a particularly low profit margin of our RMAA business in 2014 since we adopted a competitive pricing approach in setting a tender price at cost for our RMAA projects such that we can expand and strengthen our market share and reputation in the RMAA services industry in Hong Kong. The improvement in the gross profit margin of our RMAA business over the Track Record Period was attributable to the improved quotation and higher margins charged by our Group and accepted by our customers. Capitalising the award of the qualification under the "Repair and Restoration" category of the Specialist List in 2013 and our proven capability in executing RMAA projects, our Group submitted higher tender prices for RMAA contracts with a view to optimise our profits. The effects of successful high margin tenders resulted in improved gross profit margins. In addition, the increase in our mark ups outweighed the increase in our sub-contracting fees, which resulted in the improvement in the gross profit margin of our RMAA business in 2015.

Gross profit margin of Government, quasi-Government and private projects

Gross profit margin of our Government and quasi-Government projects remained relatively stable at approximately 15.6% and 15.9% for the year ended 31 March 2014 and 2015 respectively, mainly because the decrease in gross profit of our Government and quasi-Government building projects were largely offset by the increase in gross profit of our Government and quasi-Government RMAA projects.

We recorded gross loss of approximately HK$1.0 million and gross loss margin of 8.8% for our private projects for the year ended 31 March 2014, which was primarily attributable to the loss of approximately HK$1.0 million incurred by our Group in a private RMAA project that had practically completed before the Track Record Period. Loss in such contract occasioned since our Group was in dispute with one of our sub-contractor under the RMAA project regarding the works performed by such sub-contractor. The loss of approximately HK$1.1 million comprises damages of approximately HK$367,000 being awarded against our Group and legal fees of approximately HK$771,000 incurred by our Group in regards of the litigation involved. For further details in relation to the contractual dispute with our sub-contractor under such project, please refer to the section headed "Business — Litigation and Potential Claims — Litigations against our Group settled (either by way of court judgment or settlement during the Track Record Period and up to the Latest Practicable Date)" to this prospectus.

For the year ended 31 March 2015, the gross profit for our private customers increased to approximately HK$5.5 million and our gross profit margin for our private customers increased to approximately 10.5%. Since our RMAA projects constitute a large portion of our private projects, the increase in gross profit and gross profit margin in our private projects was in line with the increase in gross profit and gross profit margin in our RMAA projects.

Other income

Other income increased by approximately HK$92,000 or 76.7%, from approximately HK$120,000 for the year ended 31 March 2014 to approximately HK$212,000 for the year ended 31 March 2015. The increase was mainly contributed by the increase in interest income yielded from fixed deposit held at a bank.

Other gains and losses

We recorded other losses of approximately HK$108,000 for the year ended 31 March 2014 and other gains of approximately HK$165,000 for the year ended 31 March 2015. Our other losses of approximately HK$108,000 for the year ended 31 March 2014 was primarily resulted from the loss on disposal of a subsidiary, Techoy Engineering Company Limited, which was partially set off by the gain on dissolution of a subsidiary Well Yield Industrial Limited. Our other gains of approximately HK$165,000 for the year ended 31 March 2015 was primarily resulted from net gains arising from the trade-in of motor vehicles.

Administrative expenses

Our administrative expenses amounted to approximately HK$8.9 million and HK$8.9 million for the years ended 31 March 2014 and 2015 respectively. The administrative expenses remained stable since the increase in rental, depreciation and other in the amount of approximately HK$0.7 million, HK$0.2 million and HK$0.2 million respectively in the year ended 31 March 2015 was largely offset by the decrease in staff costs and entertainment in the amount of approximately HK$1.0 million and HK$0.1 million respectively.

Finance costs

Finance costs decreased by approximately HK$262,000 or 56.3%, from approximately HK$465,000 for the year ended 31 March 2014 to approximately HK$203,000 for the year ended 31 March 2015, which was primarily attributable to the decrease in the average outstanding balance of our bank borrowings during the year ended 31 March 2015.

Income tax

Income tax increased by approximately HK$1.0 million or 40.5%, from approximately HK$2.5 million for the year ended 31 March 2014 to approximately HK$3.5 million for the year ended 31 March 2015, which was consistent with the increase in profit before taxation for the year ended 31 March 2015 as compared to the year ended 31 March 2014.

Profit for the year

As a result of the foregoing, the profit for the year of our Group increased by approximately HK$5.5 million or 44.1%, from approximately HK$12.3 million for the year ended 31 March 2014 to approximately HK$17.8 million for the year ended 31 March 2015. The net profit margin of our Group increased from approximately 7.2% for the year ended 31 March 2014 to approximately 8.6% for the same period of 2015. The increase in our Group's profit for the year was mainly due to increase in our gross profit as discussed above while partially offset by the increase in income tax expenses.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are mainly to finance our operations and satisfy our capital expenditure needs. During the Track Record Period, our principal sources of liquidity and capital resources were cash flow generated from operations and financing activities.

Cash flows

The following table sets forth the selected cash flow data from the consolidated statements of cash flows for the period as indicated. This information should be read together with the consolidated financial information contained in the Accountant's Report in Appendix I to this prospectus.

	For the year ended 31 March	
	2014	2015
	HK$'000	HK$'000
Net cash from operating activities	14,677	28,441
Net cash (used in) from investing activities	(11,343)	231
Net cash used in financing activities	(23,086)	(7,996)
Net (decrease) increase in cash and cash equivalents	(19,752)	20,676
Cash and cash equivalents at beginning of the year	54,674	34,922
Cash and cash equivalents at end of the year	34,922	55,598

Net cash from operating activities

Net cash from operating activities primarily consisted of profit before taxation adjusted for non-cash items, such as depreciation of plant and equipment, gain on disposal of plant and equipment, loss on disposal/dissolution of subsidiaries, finance costs and the effect of changes in working capital.

Cash flow generated from operating activities is the major source of funds of our Group during the Track Record Period. We primarily derive our cash inflows from the receipt of payments from contract work. Our cash used in operations principally comprises payment of sub-contracting fees, purchases of construction materials, staff costs and insurance expenses.

For the year ended 31 March 2014, our net cash from operating activities was approximately HK$14.7 million, primarily as a result of the combined effects of (i) approximately HK$15.9 million operating cash flows before movements in working capital; (ii) the increase in net amounts due to customers of contract work of approximately HK$6.1 million; (iii) the decrease in trade receivables of approximately HK$9.3 million; and (iv) the increase in trade and bills payables of approximately HK$3.9 million. This was partially offset by (i) the increase in other receivables, deposits and prepayments of approximately HK$0.4 million; (ii) the decrease in other payables and accrued charges of approximately HK$19.3 million and (iii) the income tax paid of approximately HK$0.8 million.

For the year ended 31 March 2015, our net cash from operation activities was approximately HK$28.4 million, primarily as a result of the combined effects of (i) approximately HK$21.9 million operating cash flows before movements in working capital; and (ii) the increase in other payables and accrued charges of approximately HK$39.8 million. This was partially offset by (i) decrease in amounts due to customers of contract work of approximately HK$6.1 million; (ii) the increase in trade receivables of approximately HK$13.0 million; (iii) the increase in other receivables, deposits and prepayments of approximately HK$7.3 million; (iv) the decrease in trade and bills payables of approximately HK$5.4 million and the income tax paid of approximately HK$1.5 million.

Net cash used in or from investing activities

For the year ended 31 March 2014, our net cash used in investing activities was approximately HK$11.3 million. The amount was mainly attributable to the advance to related companies of approximately HK$27.5 million, the advance to a director of approximately HK$34.4 million and placement of pledged bank deposits of approximately HK$3.0 million, and partially offset by the repayment from a related company of approximately HK$19.6 million and repayment from a director of approximately HK$34.2 million.

For the year ended 31 March 2015, our net cash from investing activities was approximately HK$0.2 million, mainly attributable to the repayment from a director of approximately HK$10.0 million and repayment from related companies of approximately HK$77.8 million, and partially offset by the advance to a director of approximately HK$9.9 million and advance to a related company of approximately HK$77.6 million.

Net cash used in financing activities

For the year ended 31 March 2014, our net cash used in financing activities was approximately HK$23.1 million, mainly attributable to repayment to a related company of approximately HK$16.0 million, payment of dividend to our executive Director, Mr. Lam, of approximately HK$5.0 million, and repayment of bank borrowings of approximately HK$1.2 million.

For the year ended 31 March 2015, our net cash used in financing activities was approximately HK$8.0 million, mainly attributable to the payment of dividend to our executive Director, Mr. Lam, of approximately HK$9.0 million and the repayment of bank borrowings of approximately HK$1.1 million, and partially offset by the increase in issued share capital of Techoy Construction by 2,800,000 shares at an aggregate subscription price of HK$2.8 million.

NET CURRENT ASSETS

The table below sets forth our current assets and current liabilities as at 31 March 2014 and 2015 and as at 31 July 2015.

	As at 31 March		As at 31 July
	2014	2015	2015
	HK$'000	HK$'000	HK$'000 (Unaudited)
Current assets			
Trade receivables	7,733	20,693	12,352
Other receivables, deposits and prepayments	5,078	12,430	11,503
Amounts due from customer for contract work	760	—	—
Amounts due from a director	130	—	—
Amount due from a related company	33,719	33,520	—
Pledged bank deposits	3,000	3,024	3,024
Bank balances and cash	34,922	55,598	52,767
	85,342	125,265	79,646
Current liabilities			
Trade and bills payables	6,586	1,215	1,054
Other payables and accrued charges	12,188	52,010	39,581
Amounts due to customers for contract work	17,522	10,660	11,518
Tax payable	4,648	6,646	7,686
Obligations under finance leases	400	581	442
Bank borrowings	1,068	—	—
	42,412	71,112	60,281
Net current assets	42,930	54,153	19,365

Our current assets mainly included trade receivables, other receivables, deposits and prepayments, amounts due from customer for contract work, amounts due from a director, amount due from a related company, pledged bank deposits and bank balances and cash. Our current liabilities mainly included trade and bill payables, other payables and accrued charges, amounts due to customers for contract work, tax payable, obligations under finance leases and bank borrowings.

We recorded net current assets of approximately HK$42.9 million and HK$54.2 million as at 31 March 2014 and 2015, respectively. The increase in the net current assets was mainly due to (i) an increase of approximately HK$13.0 million in trade receivables; (ii) an increase of approximately HK$7.3 million in other receivables, deposits and prepayments; (iii) an increase of approximately HK$20.7 million in bank balances and cash; (v) a decrease of approximately HK$5.4 million in trade and bills payables; (vi) a decrease of approximately HK$6.1 million in net amounts due to customers for contract work; and (vii) a decrease of approximately HK$1.1 million in bank borrowings. The change in the net current assets was partially offset by (i) an increase of approximately HK$39.8 million in other payables and accrued charges; (ii) an increase of approximately HK$2.0 million in tax payable.

As at 31 July 2015, being the latest practicable date for ascertaining our Group's net current assets of approximately HK$19.4 million. The decrease in our net current assets as at 31 July 2015 to that as at 31 July 2014 was mainly due to full settlement of the amount due from a related company by setting off against the special dividend of HK$33.5 million declared in April 2015.

Trade receivables

Our trade receivables primarily represent amounts receivable from our customers under our building construction contracts and RMAA contracts. We generally submit interim payment applications to our customers on a monthly basis containing a statement setting out our estimate of the gross valuation of the work we have performed in the preceding month. Upon receiving our interim payment application, the architect of our customer usually verify such valuation of work performed and issue an interim certificate within 21 days. Normally our customer will make payment within 21 days after the issue of the interim certificate, deducting any retention money in accordance with the contract.

As at 31 March 2014 and 2015, the balance of our trade receivables was HK$7.7 million and HK$20.7 million, respectively. The increase in our trade receivables was in line with the increase in our revenue during the same period and was primarily attributable to one of our major Government building construction project, which has large sum of billing just raised to our customer for certified work performed by our Group in March 2015. As at the Latest Practicable Date, 95.6% of the trade receivables as at 31 March 2015 were subsequently settled.

Ageing analysis of trade receivables

The following table sets forth a summary of aged analysis of trade receivables presented based on the invoice date, which is after our customer having issued the interim certificate, at each reporting dates:

	As at 31 March	
	2014	**2015**
	HK$'000	**HK$'000**
0 – 30 days	7,420	20,370
31 – 60 days	—	323
61 – 90 days	305	—
Over 90 days	8	—
Total trade receivables	7,733	20,693

Over 95% of our trade receivables are aged within 30 days at all the balance sheet dates, reflecting a healthy trade receivable aging analysis of our Group.

Trade receivables turnover days

The table below sets forth our turnover days of trade receivables for the period indicated:

	For the year ended 31 March	
	2014	**2015**
Turnover days of trade receivables *(Note 1)*	26	25

Note:

1. The turnover days of trade receivables is calculated based on the average of the beginning and ending balance of trade receivables for the year divided by revenue during the year and multiplied by 365 days for the year ended 31 March 2014 and 2015.

For the years ended 31 March 2014 and 2015, our Group maintained a stable trade receivables turnover days at approximately 26 days and 25 days respectively. The relatively low and stable trade receivables turnover days was primarily attributable to our efforts in maintaining stringent credit controls and high credibility of our Government customers.

Other receivables, deposits and prepayments

Other receivables, deposits and prepayments consist primarily of deposits, retention receivables and prepayments. The following table sets out a summary of our other receivables, deposits and prepayments as at the dates indicated:

	As at 31 March	
	2014	**2015**
	HK$'000	**HK$'000**
Deposits	123	2,727
Retention receivable	4,837	8,839
Prepayments	118	864
Total trade and other receivables	5,078	12,430

Deposits mainly represent (i) the deposits we placed with a bank or insurance company for issuance of surety bonds for our project; and (ii) in lieu of surety bond, the deposits retained by our client as security of due performance for our project. The surety bonds provided by our Group during the Track Record Period are generally in an amount not exceeding 10% of the contract sum. The following table sets forth the details of the surety bonds in issue as at 31 March 2014 and 2015:

	As at 31 March	
	2014	**2015**
Aggregate value of surety bonds in issue (HK$'000)	—	4,593
Number of projects that required issuance of surety bond	—	1
Aggregate contract value of the projects that required issuance of surety bond (HK$'000)	—	45,927

Since none of our projects in progress as at 31 March 2014 required surety bond as security for our performance, no deposit was placed with banks or insurance companies for issue of any surety bond. Our deposits of approximately HK$0.1 million as at 31 March 2014 were primarily attributable to deposits for miscellaneous items. Our deposits rocketed to approximately HK$2.7 million as at 31 March 2015 mainly because (i) deposits of approximately HK$1.38 million was required to be placed with an insurance company for the issue of surety bond in respect of a RMAA project that were in progress as at 31 March 2015; and (ii) as agreed between the customer and our Group, in lieu of the issue of surety bond, deposits of approximately HK$1.16 million was retained by the relevant customer as security of our due performance.

Retention receivable represents the retention money required by our customers to secure our due performance of the contracts. It is common industry practice that a portion of progress payment is held up by our customers to secure the due performance of our Group. As for Government projects, our customers normally withhold 1% of the interim payment payable to us as retention money. As for private projects, our customers normally withhold 5–10% of the interim payment payable to us as retention money. In general, the retention money will be released to us after the expiry of the defect liability period subject to the confirmation from our customers regarding satisfaction with our works. In line with the progress of our construction projects, our retention receivable increased from approximately HK$4.8 million as at 31 March 2014 to approximately HK$8.8 million as at 31 March 2015. Our Directors confirm that all retention receivable were attributable to construction projects in progress but within defective liability periods and therefore not overdue.

The balance of prepayments as at 31 March 2014 and 2015 were approximately HK$0.1 million and HK$0.9 million, respectively. The increase in our prepayments was primarily attributable to the upfront compensation paid by our Group for personal injuries of our employees and the employees of our sub-contractors sustained in the course of their employment with us or with our sub-contractors, before reimbursement was sought from the insurance companies. For further details of the personal injury claims against our Group, please refer to the section headed "Business - Litigation and Potential Claims" in this prospectus.

Amount due from customer for contract work

We recognise our revenue from construction contracts based on the stage of completion of the contracts as certified by the architects of our customers and these architects issue interim certificate which our billing bases upon. Amount due to customers for contract work represents surplus derived from the contract costs incurred plus net recognised profits/losses which exceed progress billings owing to the difference between the actual contract work performed and the contract work certified by architects of our customer on any specific date.

The following table sets forth our Group's amounts due from customers for contract work as at the reporting dates:

	As at 31 March	
	2014	2015
	HK$'000	HK$'000
Amounts due from customers for contract work	760	—

The amounts due from customers for contract work decreased from approximately HK$0.8 million as at 31 March 2014 to HK$nil as at 31 March 2015. The amounts due from customers for contract work are usually affected by the volume and value of construction works we performed close to the end of each reporting period and the timing of receiving interim certificates, and thus vary from period to period.

Amount due from a director

The amount due from our Director is unsecured, interest-free and repayable on demand. The amount due from a director amounted to approximately HK$0.1 million as at 31 March 2014 and was fully settled during the year ended 31 March 2015.

Amount due from a related company

The amount due from our related company, which is non-trade nature, was unsecured, interest-free and repayable on demand. The amount due from our related company was approximately HK$33.7 million and HK$33.5 million as at 31 March 2014 and 2015, respectively. The amount due from our related company primarily represents advance to Popstate, a wholly-owned company of Mr. Lam, for acquisition from an Independent Third Party of certain assets, including but not limited to several investment holding companies, car park lots and a property. The amount due from our related company as at 31 March 2015 has been subsequently settled in full in April 2015.

Pledged bank deposits

Our pledged bank deposits represent deposit pledged to banks to secure the banking facilities granted to our Group. The balances of our pledged bank deposits were approximately HK$3.0 million and HK$3.0 million as at 31 March 2014 and 2015, respectively.

Bank balances and cash

Our bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less. Bank balances and cash amounted to approximately HK$34.9 million and HK$55.6 million as at 31 March 2014 and 2015, respectively. The increase in bank balances and cash was primarily due to increase in cash generated from operations, increase in repayment from related companies and decrease in payment to a related company.

Trade and bills payables

Our trade and bills payables mainly comprise trade payables and bills payables. The following table sets forth the trade and bills payables as of the dates indicated:

	As at 31 March	
	2014	2015
	HK$'000	HK$'000
Trade payables	930	1,215
Bills payables	5,656	—
Total trade and bills payables	6,586	1,215

Our trade and bill payables primarily represent amounts payable to our sub-contractors and suppliers of construction materials. Settlement is generally made in accordance with the terms specified in the contracts governing the relevant transactions. The trade and bill payables are generally affected by, including but not limited to, the amounts of works performed by our sub-contractors, materials provided by our suppliers, timing of payment invoices received from our sub-contractors and/or suppliers, and credit periods granted by our sub-contractors and/or suppliers. The credit period granted by our sub-contractors is normally 30 to 45 days after issuance of invoice.

Our trade and bill payables decreased from approximately HK$6.6 million as at 31 March 2014 to approximately HK$1.2 million as at 31 March 2015. The decrease was primarily due to decrease in use of bank bills to settle the trade payables during the year ended 31 March 2015. Such trade payables were mainly settled by our cash generated from our operating activities in 2015. As at the Latest Practicable Date, all of the trade payables as at 31 March 2015 were subsequently settled.

The following table sets forth the turnover days of trade payables for the period indicated:

	For the year ended 31 March	
	2014	2015
Turnover days of trade payables *(Note 1)*	4	2

Note:

1. The turnover days of trade payables is calculated based on the average of the beginning and ending balance of trade payables for the year divided by direct costs during the year and multiplied by 365 days for the year ended 31 March 2014 and 2015.

Our turnover days of trade payables (comprising our payables to suppliers and payables to sub-contractors) were approximately 4 days and 2 days as at 31 March 2014 and 2015, respectively. Since our Group does not pay any deposit to our sub-contractors before their works commence, in order to secure sufficient labour supply in the booming construction market and to attract sub-contractors to charge us favourable sub-contracting fees, we generally try to settle the payments to our sub-contractors as soon as possible once our quantity surveyor certified the value of works completed by the relevant sub-contractors against their payment applications. In addition, we generally settle the payment in the middle and approaching the end of each month. As sub-contracting fee is the major portion of direct cost and is settled twice per month, the payable balances as at each month end were lower than the rest in a particular month, resulting in short payable turnover period calculated at the end of each year. According to Ipsos, payment time by main contractors to sub-contractors can be flexible, and it is not uncommon that main contractors may settle the invoices of sub-contractors well ahead of the payment due dates in order to maintain good relationship with them. The decrease in our trade payables turnover days was primarily attributable to the increase in our sub-contracting fees from approximately HK$99.3 million in the year ended 31 March 2014 to approximately HK$123.8 million in the year ended 31 March 2015 while our trade payables were remained stable.

The following table sets forth the aged analysis of our trade and bills payables as at the dates indicated:

	As at 31 March	
	2014	2015
	HK$'000	HK$'000
Trade payables		
0 – 30 days	826	1,215
31 – 60 days	89	—
Over 60 days	15	—
	930	1,215
Bills payables		
0 – 30 days	639	—
31 – 60 days	186	—
61 – 90 days	4,831	—
	5,656	—
Total trade and bills payables	6,586	1,215

Other payables and accrued charges

The following table sets forth the other payables and accrued charges as at the dates indicated:

	As at 31 March	
	2014	2015
	HK$'000	HK$'000
Accrued charges	1,939	32,416
Deposits received	97	97
Retention payables	10,152	19,497
	12,188	52,010

Accrued charges mainly represented the costs incurred for constructions works performed by the subcontractors but no invoices are received by us yet. We normally settle the accrued charges within the credit period of 30 days to 45 days from the date of the receipt of the invoices.

There were substantial orders for variations on the project designs stated in the initially signed contract of the PMQ Project which bore a total contract sum of approximately HK$354.1 million and spanned from January 2012 to December 2013. All such variation orders in relation to the PMQ Project had been practically completed by our Group during the Track Record Period and we had made payment application for the value of works performed under the variation orders. As the maintenance period for the PMQ Project was not yet completed as at 31 March 2014, we recorded significant balance of amount due to customers for contract work of approximately HK$17.5 million as at 31 March 2014.

During the year ended 31 March 2015, the maintenance period for the PMQ project was completed in December 2014. As at 31 March 2015, the PMQ Project had approximately HK$25.7 million construction costs incurred by us but not yet received invoices from the relevant subcontractors and resulted in a significant increase in the balance of accrued charges from approximately HK$ 1.9 million as at 31 March 2014 to approximately HK$32.4 million as at 31 March 2015. As at the Latest Practicable Date, approximately 31.6% of the accrued charges as at 31 March 2015 were subsequently settled. Our Directors believe that substantial amount of the relevant accrued charges will be settled in cash before the end of the calendar year 2015.

Retention payables mainly represent the amounts we withhold from progress payments to our sub-contractors in the range of 5% to 10% of the respective payment amount. Such retention money is released to our sub-contractors upon completion of the defect liability period in accordance with the terms and conditions of the relevant sub-contract. Therefore, a significant portion of retention payables remained outstanding as at each balance sheet date. In line with the progress of our construction projects and the increase in our retention receivables, our retention payables increased from approximately HK$10.2 million as at 31 March 2014 to approximately HK$19.5 million as at 31 March 2015. As at the Latest Practicable Date, 42.5% of the other payables and accrued charges as at 31 March 2015 were subsequently settled.

Amounts due to customers for contract work

Amount due to customers represents surplus derived from progress billings which exceed the contract costs incurred plus net recognised profits/losses. The balance were approximately HK$17.5 million as at 31 March 2014 and decreased to approximately HK$10.7 million as at 31 March 2015. The amount of approximately HK$17.5 million at 31 March 2014 due to customers for contract work were primarily in relation to the PMQ Project. The amount of approximately HK$10.7 million at 31 March 2015 due to customers for contract work were primarily in relation to the Argyle Street building construction project and Nam Long Shan Road RMAA project.

Tax payable

The tax payable balances of our Group were approximately HK$4.6 million and HK$6.6 million as at 31 March 2014 and 2015, respectively. The increase in tax payable was mainly due to the increase in the overall profit before tax in 2015.

INDEBTEDNESS

Obligations under finance leases

We leased certain of our motor vehicles under finance leases. As at 31 March 2014 and 2015 and 31 August 2015, the obligations under finance leases (including current and non-current portions) were approximately HK$681,000, HK$956,000 and HK$656,000 respectively. Set out below are our obligations under finance leases as at the end of the respective reporting dates:

	Minimum lease payments		
	As at 31 March		As at 31 August 2015
	2014	2015	
	HK$'000	HK$'000	HK$'000 (unaudited)
Amount payable under finance leases			
Within one year	430	618	439
In the second to fifth years inclusive	287	415	276
	717	1,033	715
Less: Future finance charges	(36)	(77)	(59)
Present value of lease obligations	681	956	656

Interest rates underlying all obligations under finance leases were fixed at respective contract dates at 2.50% per annum as at 31 March 2014 and 2.93% per annum in average as at 31 March 2015. Our unguaranteed obligations under finance leases were secured by charges over the leased assets.

Bank borrowings

Our Group had bank borrowings of approximately HK$1.1 million, HK$nil and HK$nil as at 31 March 2014 and 2015 and 31 August 2015 respectively. Our Group's bank borrowings were primarily used in financing the initial working capital requirement of our operations. Most of our construction projects as at 31 March 2015 had commenced for a period of time and we have started receiving progress payments from the relevant customers for construction works done, which lessened our cash flow requirement. With the increase in cash flow from operating activities and the decrease in cash flow requirement due to projects progresses, our Group settled all bank borrowings in 2015, which led to the decrease in our bank borrowings as at 31 March 2015. The bank borrowings are at floating rate which carry interest in one-month Hong Kong Interbank Offered rate plus 3% per annum.

During the Track Record Period, the bank borrowing agreements were entered into with the lenders under normal standard terms and conditions and do not contain any special restrictive covenants. During the Track Record Period and as of the Latest Practicable Date, none of our lenders have claimed default against us under any of the terms in the bank borrowing agreements.

As at the Latest Practicable Date, our Group has unutilised bank facilities of HK$6.0 million, which were secured by personal guarantee of HK$1.5 million provided by Mr. Lam and by Government guarantee of HK$4.8 million. Our Directors confirm that the personal guarantee provided by Mr. Lam will be released and replaced by a corporate guarantee provided by the Company upon Listing.

Our Directors confirm that our Group has not experienced any difficulty in obtaining bank borrowings, default in payment on bank borrowings or breach of finance covenants during the Track Record Period and up to the Latest Practicable Date and that they do not foresee any difficulty in obtaining bank borrowing after the Latest Practicable Date.

Save as aforesaid or otherwise disclosed herein, we did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, finance lease obligations or material contingent liabilities or guarantees outstanding as on 31 August 2015.

CAPITAL EXPENDITURE

During the Track Record Period, we incurred capital expenditures for the purchase of motor vehicles. Our capital expenditures were approximately HK$nil million and HK$1.1 million for the years ended 31 March 2014 and 2015 respectively. The increase during the year 2015 was for the purchase of motor vehicles of approximately HK$1.1 million during the year ended 31 March 2015.

We expect to meet future capital expenditure requirements through our available cash and cash equivalents, cash generated from our operations and bank borrowings, as well as net proceeds from the Placing. Where our Directors consider appropriate and necessary, we may raise additional funds on terms that are acceptable to us.

COMMITMENTS

Operating lease commitments

During the Track Record Period, our Group leases a premise under operating lease. The lease runs for an initial period of two years. None of the leases includes contingent rentals. The following table sets forth our Group's commitments for operating lease payments under non-cancellable operating lease with a related party, Popstate Limited, as at the dates indicated:

	As at 31 March	
	2014	2015
	HK$'000	HK$'000
Within one year	47	1,302
In the second to fifth year inclusive	—	1,302
	47	2,604

The increase in our operating leases commitment as at 31 March 2015 was primarily due to the renewal of our lease for the property in Lai Chi Kok, Kowloon in the year ended 31 March 2015 with Popstate to reflect the increase in market value of the property, which resulted in the increase in rental payable under the relevant lease.

CONTINGENT LIABILITIES

As at the end of each of the year ended 31 March 2014 and 2015, our Group did not have any material contingent liabilities.

SUBSEQUENT EVENTS

For significant events that took place subsequent to 31 March 2015, please refer to "(B) — Subsequent Events" to the Accountants' Report set forth in Appendix I to this prospectus.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group had not entered into any material off-balance sheet commitments and arrangement.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in note 27 of section (A) to the accountants' report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to us than terms available from Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole.

SELECTED KEY FINANCIAL RATIOS

The following table sets forth our selected key financial ratios during the Track Record Period:

	As at/for the year ended 31 March	
	2014	**2015**
Gross profit margin *Note 1*	14.1%	14.5%
Net profit margin *Note 2*	7.2%	8.6%
Gearing ratio *Note 3*	4.0%	1.7%
Current ratio *Note 4*	2.0x	1.8x
Return on equity *Note 5*	30.7%	35.9%
Return on assets *Note 6*	13.0%	16.7%

Notes:

1. The gross profit margin is calculated by dividing the gross profit by the revenue for the respective year multiplied by 100%.

2. The net profit margin is calculated by dividing the net profit by the revenue for the respective year multiplied by 100%.

3. The gearing ratio is calculated by dividing total obligations under finance leases and total bank borrowings with total equity as at the end of respective periods multiplied by 100%.

4. The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective periods.

5. Return on equity equals the net profit attributable to Shareholders divided by the average balance of total equity as at the end of the respective periods multiplied by 100%.

6. Return on assets is calculated by the net profit for the year divided by the average balance of total assets as at the end of the respective periods multiplied by 100%.

Gross profit margin

Gross profit margin is our gross profit for the year as a percentage of our total revenue for each financial year.

Our gross profit margin remained relatively stable at approximately 14.1% and 14.5% for the years ended 31 March 2014 and 2015. For further information in relation to our gross profit margin, please refer to the paragraph headed "Description of Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross Profit" in this section.

Net profit margin

Net profit margin is our net profit for the year as a percentage of our total revenue for each financial year.

Our net profit margin increased from approximately 7.2% for the year ended 31 March 2014 to approximately 8.6% for the year ended 31 March 2015, primarily due to the change in our project mix and the increase in gross profit resulted from our RMAA segment from approximately HK$80,000 to HK$13.9 million during the same period. For further details of our change in project mix during the Track Record Period, please refer to the paragraph headed "Description of Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — Changes in our project mix" in this section to the prospectus.

Gearing Ratio

Gearing ratio is the total amount of our loans and borrowings as a percentage of total equity as at the end of each financial period.

Our gearing ratio decreased from approximately 4.0% as at 31 March 2014 to 1.7% as at 31 March 2015 mainly because of the decrease in bank borrowings from approximately HK$1.1 million as at 31 March 2014 to HK$nil million as at 31 March 2015 owing to settlement of bank borrowings by our Group.

Current ratio

Current ratio is derived by dividing our current assets by our current liabilities at the end of each financial period.

Our current ratio decreased from approximately 2.0 times as at 31 March 2014 to approximately 1.8 times as at 31 March 2015, primarily due to the increase in other payables and accrued charges of approximately HK$39.8 million, which mainly attributable to the elongated timeframe in finalising accounts with our customer for the PMQ Project.

Return on equity

Our return on equity is our profit for the year as a percentage of our equity for each financial year.

Our return on equity increased from approximately 30.7% for the year ended 31 March 2014 to approximately 35.9% for the year ended 31 March 2015, primarily because of the higher net profit of approximately HK$17.8 million for the year ended 31 March 2015 when compared with approximately HK$12.3 million for the year ended 31 March 2014 as a result of (i) the significant increase in revenue contribution from our RMAA projects in the year ended 31 March 2015; and (ii) in line with the construction progress, larger portion of revenue from the Argyle Street project was recognised in the year ended 31 March 2015 as compared to the year ended 31 March 2014.

Return on asset

Return on asset is our profit for the year as a percentage of our total assets for each financial year.

Our return on asset increased from approximately 13.0% for the year ended 31 March 2014 to approximately 16.7% for the year ended 31 March 2015, primarily due to the increase in our net profit for the year ended 31 March 2015 as detailed above.

FINANCIAL RISK MANAGEMENT

During our conduct of business, we are exposed to various types of market risks including credit risk, liquidity risk and interest rate risk.

Credit risk

Our Group's credit risk is primarily attributable to trade receivables, other receivables and bank balances.

Our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position at the end of the reporting period.

Our Group's customers are mainly Government departments and/or organisations and thus credit risk is considered to be low. Except for the customers of Government departments and/or organisations which we consider of good quality, we adopted a policy on providing credit facilities to new customers. A credit investigation, including assess to financial information, advice from business partners in relation to potential customers and credit search, would be required to be launched. The level of credit granted must not exceed a predetermined level set by our management and approvals must be documented in writing. Credit evaluation is performed on a regular basis. Any excess over credit limits must be approved by our management in writing and there is a team of staff we designated for collection of receivables.

Our Group has concentration of credit risks with exposure limited to certain customers. Top two customers amounting to approximately HK$7.0 million and approximately HK$17.9 million, respectively, comprised approximately 91% and 87% of our Group's trade receivables as at 31 March 2014 and 2015. Our Directors closely monitor the subsequent settlement of the customers. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

As at 31 March 2014 and 2015, our Group has concentration of credit risk in respect of amount due from a related company. In order to minimise the credit risk on amount due from a related company, our management continuously monitors the credit quality and financial conditions of the related company and the level of exposure to ensure that follow-up action is taken to recover overdue debts. Our Group's related company represented an entity controlled by Mr. Lam. Under such circumstances, our management considers that our Group's credit risk is not material.

Liquidity risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance our Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details our Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which our Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Repayable on demand	Within 1 year	1–5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2014						
Non-derivative financial liabilities						
Trade and bills payable	N/A	—	6,586	—	6,586	6,586
Other payables and accrued charges	N/A	—	12,188	—	12,188	12,188
Bank borrowings — floating rate	3.21	1,068	—	—	1,068	1,068
Obligations under finance leases	2.50	—	430	287	717	681
		1,068	19,204	287	20,559	20,523

	Weighted average effective interest rate	Repayable on demand	Within 1 year	1–5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2015						
Non-derivative financial liabilities						
Trade payable	N/A	—	1,215	—	1,215	1,215
Other payables and accrued charges	N/A	—	52,010	—	52,010	52,010
Obligations under finance leases	2.93	—	618	415	1,033	956
		—	53,843	415	54,258	54,181

Bank borrowings with a repayment on demand clause are included in the "repayable on demand" time band in the above maturity analysis. As at 31 March 2014, the aggregate carrying amounts of these bank borrowings amounted to approximately HK$1.1 million. Taking into account our Group's financial position, our Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Our management believes that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows would amount to approximately HK$1.3 million for bank borrowings as at 31 March 2014 which will be repaid within one year from the end of the respective reporting period.

Interest rate risk

Our Group is exposed to fair value interest rate risk in relation to its obligations under finance lease.

Our Group's cash flow interest rate risk primarily relates to the pledged bank deposits and bank balances as at 31 March 2014 and 2015 as well as floating-rate bank borrowings as at 31 March 2014.

Our Group has not used any interest rate swaps to mitigate our exposure associated with interest rate risk. However, our management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Our Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Prime rate arising from our Group's HK$ denominated bank borrowings.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

For the years ended 31 March 2014 and 2015 Techoy Construction declared and paid dividends of approximately HK$5.0 million and, HK$9.0 million, respectively to Mr. Lam. Subsequent to 31 March 2015, we have also declared and settled special dividends of HK$33.5 million in April 2015 and declared and paid approximately HK$1.5 million in July 2015 respectively to Mr. Lam. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

After completion of the Placing, while we currently have no plans to pay dividends to the Shareholders in the foreseeable future, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant.

We will re-evaluate our dividend policy annually. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

As at the Latest Practicable Date, our Company has no distributable reserves available for distribution to our Shareholders.

WORKING CAPITAL

Taking into account the estimated net proceeds from the Placing of New Shares, cash flows from our operations and existing indebtedness, our Directors are of the view, and the Sole Sponsor concurs, that working capital available to our Group is sufficient for our present requirements for at least the next 12 months commencing from the date of this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets of our Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Placing as if it had taken place on 31 March 2015. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group after the Placing or at any future dates.

	Audited combined net tangible assets of our Group attributable to the owners of our Company as at 31 March 2015	Estimated net proceeds from the Placing	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company per Share
	HK$'000 (Note 1)	HK$'000 (Note 2)	HK$'000	HK$ (Note 3)
Based on Placing Price of HK$0.30 per Share	55,382	34,991	90,373	0.11
Based on Placing Price of HK$0.40 per Share	55,382	51,481	106,863	0.13

Notes:

(1) The audited combined net tangible assets of our Group attributable to the owners of our Company is extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the issue of the New Shares pursuant to the Placing are based on 170,000,000 New Shares at the Placing Price of lower limit and upper limit of HK$0.30 and HK$0.40 per Placing Share, respectively, after deduction of the underwriting commissions and fees and other related fees expenses incurred and to be incurred by our Company since 1 April 2015.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Offer Size Adjustment Option, the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares".

(3) The unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company per Share is calculated based on 800,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Offer Size Adjustment Option, the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares".

(4) Assuming that the dividends of HK$33,520,000 declared in April 2015 and HK$1,480,000 in July 2015 had been taken into account, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share would have been HK$0.07 and HK$0.09 at the Placing Price of HK$0.3 and Placing Price of HK$0.4 respectively, which is calculated based on 800,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue.

No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2015.

LISTING EXPENSES

Our financial performance for the year ending 31 March 2016 will be affected by the non-recurring expenses incurred in relation to the Listing. The Listing expenses to be borne by our Group are estimated to be approximately HK$17.1 million (assuming the Offer Size Adjustment Options are not exercised and assuming the Placing Price of HK$0.35 per Placing Share, being the midpoint of the indicative Placing Price range of HK$0.3 to HK$0.4 per Placing Share), of which (i) approximately HK$4.8 million is directly attributable to the issue of Placing Shares which is to be accounted for as a deduction from equity; (ii) approximately HK$11.4 million is to be charged to profit or loss of our Group for the year ending 31 March 2016 and (iii) approximately HK$0.9 million is borne by our Selling Shareholder. Such cost is a current estimate and for reference only. The final amount to be recognised to the profit or loss of our Group or to be capitalised is subject to adjustment based on audit and the changes in variables and assumptions. No listing expense was incurred during the Track Record Period as the preparation of Listing had not yet begun. Prospective investors should note that the financial performance of our Group for the year ended 31 March 2016 would be significantly affected by the estimated Listing expenses mentioned above.

MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraph headed "Listing Expenses" in this section and the paragraph headed "Recent Development" in the "Summary" section of this prospectus and the one-off special dividends of HK$33.5 million declared and settled in April 2015 and of approximately HK$1.5 million declared and paid in July 2015, our Directors confirmed that since 31 March 2015 and up to the prospectus date, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operating position; (ii) there was no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I in this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As at the Latest Practicable Date, our Directors confirm that there were no circumstances that would give rise to a disclosure requirement under Rule 17.15 to 17.21 of the GEM Listing Rules.