*You should read this section in conjunction with the Group's audited combined financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. The Group'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 the Group in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet the Group's expectations and projections depends on a number of risks and uncertainties over which the Group does not have control. For further information, you should refer to the section headed "Risk factors" to this prospectus.

OVERVIEW

The Group is principally engaged in (i) the provision of structural engineering works with a focus on design and build projects in Hong Kong; and (ii) trading of building material products predominately in Hong Kong.

During the Track Record Period, the Group's revenue was mainly derived from the structural engineering works while the remaining were generated from trading of building material products. The following table sets out a breakdown of the Group's revenue during the Track Record Period by business segments:

	For the year ended 31 March			
	2014		2015	
	HK$'000	*%*	*HK$'000*	*%*
Structural engineering works	199,542	97.2	183,913	93.2
Trading of building material products	5,743	2.8	13,522	6.8
	205,285	100.0	197,435	100.0

During the Track Record Period, the majority of the Group's revenue was derived in Hong Kong. The following table sets out a breakdown of the Group's revenue during the Track Record Period by geographical locations:

	For the year ended 31 March			
	2014		2015	
	HK$'000	*%*	*HK$'000*	*%*
Hong Kong	204,640	99.7	196,530	99.5
Others *(Note)*	645	0.3	905	0.5
	205,285	100.0	197,435	100.0

Note: Others relate to the Group's revenue derived from trading of building material products to locations other than Hong Kong such as the PRC, Macau, Singapore and the United Kingdom.

(i) Structural engineering works

Structural engineering is concerned with the analysis, design and construction of a structure. The structural engineering works undertaken by the Group mainly include developing structural designs, calculation and drawings, sourcing and procurement of materials, monitoring of works, supervision and management of subcontractors and after-sales services. During the Track Record Period, the Group was mainly engaged in design and build projects in Hong Kong as a subcontractor. The design and build projects undertaken by the Group can be broadly divided into three categories: (i) facade, roof and related works; (ii) structural steelwork and noise barriers; and (iii) flagpoles and related works. KPa Engineering, a member of the Group, is an approved specialist contractor in the category of structural steelwork and an approved supplier of materials in the category of transparent panels for noise barriers on highways with the Development Bureau. It is also a registered minor works contractor with the Buildings Department. The Group provides structural engineering works in design and build projects to both the private sector and public sector. The Group classifies public sector contracts as contracts in which the ultimate employer is a government department or statutory body. During the Track Record Period, the Group generated approximately 61.1% and 33.5% of its revenue from design and build projects in the private sector, respectively, with the remaining revenue of approximately 38.9% and 66.5% from design and build projects in the public sector, respectively.

The duration of the Group's design and build projects completed during the Track Record Period varied from less than one month to approximately 54 months, depending on the size of the contract and the complexity of the works undertaken pursuant to the contract. During the Track Record Period, the Group undertook 204 and 298 design and build projects, contributing approximately HK$199.5 million and HK$183.9 million to the Group's revenue respectively. Set out below is a breakdown of the Group's revenue attributable to the design and build projects during the Track Record Period by categories:

	For the year ended 31 March			
	2014		2015	
	HK$'000	*%*	*HK$'000*	*%*
Facade, roof and related works	169,928	85.1	144,736	78.7
Structural steelwork and noise barriers	27,863	14.0	33,273	18.1
Flagpoles and related works	1,751	0.9	5,904	3.2
	199,542	100.0	183,913	100.0

Note: A design and build project may cover works in one or more of the above work categories. The classification depends on the nature of works the Group principally undertakes in such project, and the major revenue contributing works in the project.

Set out below is the breakdown of the Group's design and build projects based on their scales of respective revenue recognised during the Track Record Period:

	For the year ended 31 March	
	2014	2015
	Number of projects	*Number of projects*
Revenue		
HK$10,000,000 or above	6	3
HK$5,000,000 to below HK$10,000,000	4	5
HK$1,000,000 to below HK$5,000,000	11	12
Below HK$1,000,000	183	278
	204	298

As at 31 March 2015, the Group had 102 design and build projects in progress (including projects that have commenced but not yet completed and projects that have been awarded to the Group but not yet commenced) with an aggregate contract sum of approximately HK$742.1 million, of which approximately HK$253.9 million is expected to be recognised as the Group's revenue for the year ending 31 March 2016. For details on the Group's latest development, please refer to the section headed "Summary — Recent development subsequent to the Track Record Period" to this prospectus.

(ii) Trading of building material products

The Group is also engaged in the trading of building material products mainly through BuildMax (HK), a member of the Group, predominately in Hong Kong. During the Track Record Period, the Group's revenue generated by trading of building materials products amounted to approximately HK$5.7

million and HK$13.5 million, respectively. The building material products sold by the Group mainly include (i) roof and noise barrier materials; (ii) curtain wall fixing components; and (iii) other auxiliary materials. The Group does not provide installation service to its customers under this trading segment.

As at the Latest Practicable Date, the Group is currently the authorised distributor of six international brands of building material products in Hong Kong, Macau and/or the PRC. Among these six international brand products, four of which the Group has been engaged as the sole distributor of the products in Hong Kong, Macau and/or the PRC exclusively. These international brand products are mainly imported from various countries such as Germany, the United Kingdom and USA. Apart from selling products of third party brands, the Group also sells a small portion of building material products under its own brand names.

BASIS OF PRESENTATION

Prior to the Placing, the Group had undergone the Reorganisation after which the Company has become the holding company of the Group since 22 September 2015. Please refer to the section headed "History, Reorganisation and corporate structure — Reorganisation" to this prospectus for details.

The financial information set out in the Accountants' Report in Appendix I to this prospectus has been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the Track Record Period.

The combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Track Record Period include the results and cash flows of the companies now comprising the Group, as if the current structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment, where there is a shorter period. The combined statements of financial position of the Group as at 31 March 2014 and 2015 have been prepared to present the state of affairs of the Group as if the current group structure had been in existence as at the respective dates.

The assets and liabilities of the companies comprising the Group are combined using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination.

All intra-group transactions, balances and unrealised gains on transactions have been eliminated on combination. Unrealised losses resulting from intra-group transactions are also eliminated unless the transactions provide evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Group's results of operations and financial condition during the Track Record Period have been and will continue to be affected by a number of factors, including but not limited to those set forth in the section headed "Risk factors" to this prospectus and as set out below:

Availability of construction projects in Hong Kong

The Group's business performance is affected by the number and availability of structural engineering works in design and build projects in Hong Kong, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong, changes in government policies relating to Hong Kong property markets, the general conditions of property markets in Hong Kong, and the amount of investment in the new constructions and improvement of existing constructions. Unfavourable changes in these factors may result in a significant decrease in the number of construction projects available in Hong Kong in general. For instance, an economic downturn in Hong Kong, an outbreak of epidemic disease, and/or adverse government policies on the property markets in Hong Kong may lead to a significant decline in the number of structural engineering works in design and build projects in Hong Kong, thereby resulting in a decline in the number of projects available involving the design and construction of buildings. There is no assurance that the number of construction projects in Hong Kong will not decrease in the future. Any significant increase or decrease in the availability of structural engineering works in design and build projects in Hong Kong may materially affect the Group's business volume and therefore the results of operations and financial condition.

Costs and availability of design staff in Hong Kong and the PRC

In the Group's structural engineering work business, the Group would attempt to leverage on the expertise of its in-house team of design staff in improving the engineering design to a more cost-effective one in order for the Group to achieve savings and profit margin. As such, the Directors consider that the Group's in-house team of design staff is crucial to the day-to-day operations and the continuing success of the Group. The costs of design staff may be affected by the demand and supply of designers in Hong Kong and the PRC as well as other economic factors such as inflation rate and general standard of living. There is no guarantee that the supply of designers in Hong Kong and the PRC will remain stable. Any significant increase or decrease in the overall supply of or demand for designers in Hong Kong and the PRC may materially affect the costs of the Group's operations and the quality of services. In the event that the Group fails to retain its existing design staff and/or recruit sufficient and capable design staff in a timely manner for the existing or future projects and/or there is a significant increase in the design staff costs, the operations and profitability may be materially and adversely affected.

Financial resources required to undertake projects for the structural engineering works

The aggregate number and size of projects that the Group is able to undertake in the structural engineering works hinges on the amount of the Group's available working capital because there are often time lags between making payments to the subcontractors and receiving payments from the customers. If the Group chooses to pay the subcontractors only after receiving payments from the customers, the Group will risk its reputation in being able to make payments on a timely manner, which could harm its ability to engage capable and quality subcontractors for the contracting business in the future. In addition, some structural engineering works undertaken by the Group in the future may involve the provision of surety bonds, which will require the use of a substantial amount of the Group's cash resources. The Directors believe that the net proceeds from the Placing will strengthen the available financial resources and it is therefore one of the Group's business strategies to further develop the structural engineering works business after Listing. The available financial resources will therefore affect the Group's ability to undertake projects for the structural engineering works business.

Performance and availability of the subcontractors

In respect of the structural engineering works, the Group may engage subcontractors to perform site works based on the engineering designs and the Group does not maintain direct labours or machinery for performing installation works in its business segment of structural engineering works. Notwithstanding the evaluation and selection of subcontractors, there is no assurance that the work quality of the subcontractors can always meet the Group's requirements. Outsourcing exposes the Group to the risks associated with non-performance, delayed performance or sub-standard performance by the Group's subcontractors. As a result, the Group may incur additional costs or be subject to liability under the relevant contracts between the Group and its customers for subcontractors' unsatisfactory performance. Such events could impact upon the Group's profitability, financial performance and reputation. In addition, there is no assurance that the Group will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, the Group's operation and financial position may also be adversely affected.

Accuracy in the estimation of time and costs involved in projects when providing fee quotes

The Group needs to estimate the time and costs involved in a structural engineering work project in order to determine the fee. There is no assurance that the actual amount of time and costs would not exceed the estimation during the performance of the projects. The actual amount of time and costs involved in completing a project may be adversely affected by many factors, including adverse weather conditions, accidents, unforeseen site conditions, departure of key engineering staff involved in the project, delays in obtaining the necessary approvals in respect of the engineering designs from the relevant Government authorities or their appointed consultants, and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a project may adversely affect the Group's profit margin and results of operations.

Profit margin of trading of building material products

Besides the structural engineering works, the Group is also engaged in the sales of building material products which contributed approximately 2.8% and 6.8% of the revenue of the Group for the two years ended 31 March 2014 and 2015, respectively. The profit margin of trading of building material products may fluctuate from time to time and as the Group sources some of the building material products from overseas, any currency fluctuation may affect the Group's profit margin. In addition, the change in demand, general market condition of the construction industry and the availability of alternative products to the ones which the Group has exclusive distribution rights for may affect the Group's profitability in trading of building material products.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of the Group's financial position and results of operations as included in this prospectus is based on the combined financial statements prepared using the significant accounting policies set forth in Note 3 to the Accountants' Report set out in Appendix I to this prospectus, which conform with the HKFRSs.

Below is a summary of certain significant accounting policies that the Group believes are important to the preparation of its financial results and positions. The Group also has other accounting policies that the Group considers to be significant, the details of which are set forth in Note 3 to the Accountants' Report set out in Appendix I to this prospectus.

Recognition of revenue and other income

Revenue and other income is recognised when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably, on the following basis:

(i) When the outcome of construction contracts under the design and build projects can be estimated reliably, revenue from construction works is recognised according to the percentage of completion of individual contract at the end of the reporting period. Further details of recognition of revenue from construction contracts are set out in the section headed "Financial Information — Critical Accounting Policies — Construction contracts" to this prospectus.

(ii) Sales of building material products are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the building material products are delivered and the customer has accepted the building material products.

(iii) Interest income is recognised on a time proportion basis by reference to the principal outstanding and using the effective interest method.

Construction contracts

Revenue recognition between outcome of construction contracts under the design and build projects that can be estimated reliably and those that cannot be estimated reliably are different. When the outcome of construction contracts can be estimated reliably, revenue from construction works and the associated contract costs are recognised according to the stage of completion of individual contract at the end of the reporting period. The stage of completion is determined using percentage of completion method by reference to the contract costs incurred to date as a proportion of the total estimated contract costs.

When the outcome of construction contracts cannot be estimated reliably, no profit is recognised and revenue is recognised only to the extent of contract costs incurred that would probably be recoverable.

Provisions are made for any foreseeable losses when they are identified and recognised immediately as an expense in profit or loss. Variations in contract work, claims and incentive payments are recognised as revenue when it is probable that they will be approved by customers and they can be measured reliably.

Amounts due from customers of contract works represent contract costs incurred plus recognised profits less progress billings and any foreseeable losses. Amounts due to customers of contract works represent the excess of progress billings over contract costs incurred plus recognised profits less any foreseeable losses. Costs mainly comprise subcontracting charges, material and processing charges and direct labour costs. Costs incurred during the period in connection with future activity of a contract are recognised as amounts due from customers of contract works provided it is probable that these costs will be recovered. Amounts billed for works performed but not yet paid by the customers are included in the combined statements of financial position under "Trade and other receivables, deposits and prepayments".

Retention monies, representing amounts of progress billings which are payable to subcontractors or receivables from customers when conditions specified in the contracts undertaken are satisfied, are included in the combined statements of financial position under "Trade and other payables" and "Trade and other receivables, deposits and prepayments" respectively.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange difference arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on retranslation of non-monetary items in respect of which gain and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

For the purpose of preparing the Financial Information, income and expense items of foreign operations are translated into the functional currency of the Company (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis as follows:

Leasehold land and buildings	Over the shorter of 50 years or the remaining lease terms
Leasehold improvements	Over the shorter of 5 years or the remaining lease terms
Furniture and fixtures	5 years
Office equipment	5 years
Computer equipment	3 years
Motor vehicles	5 years

The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

The Group as lessee under finance lease

Where the Group acquires the right to use the assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease arrangement corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The Group as lessee under operating lease

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATES UNCERTAINTY

The critical accounting judgements that the Group uses in applying its accounting policies are set out in note 5 of the notes to the Accountants' Report set out in Appendix I to this prospectus. In the application of the Group's accounting policies, the Directors are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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 estimate 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.

(i) Construction contract

Construction contract revenue is recognised according to the percentage of completion of individual construction contract which requires the estimation of contract costs and gross profit margin of each contract. Contract costs and gross profit margin of individual contract is determined based on budget of the contract which was prepared by the management of the Group. In order to ensure that the total estimated contract costs are accurate and up-to-date such that gross profit margin can be estimated reliably, the management of the Group reviews the costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs and revise the estimated contract costs where necessary. Recognition of variations and claims also requires significant estimation and judgement by the management of the Group. Notwithstanding that, the management regularly reviews and revises the estimates of both contract costs and gross profit margin for the construction contracts when those construction contracts progress, the actual contract costs and gross profit margin may be higher or lower than the estimations and that will affect the revenue and gross profit recognised.

(ii) Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives, and related depreciation charges for the Group's property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of those assets of similar nature and functions. The management of the Group will increase the depreciation where useful lives are less than previously estimated lives. The management of the Group will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

(iii) Impairment of non-financial assets

The management of the Group assesses impairment by evaluating conditions specific to the Group that may lead to impairment of non-financial assets. When an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the Directors take into consideration assumptions that are mainly based on market conditions existing at the end of the reporting period and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. Future changes in the events and conditions underlying the estimates and judgements would affect the estimation of recoverable amounts and result in adjustments to their carrying amounts.

(iv) Allowance for inventories

The management of the Group carries out inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items. A considerable amount of judgement and estimates is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required. The management of the Group reviews the inventory ageing analysis at the end of reporting period and identifies for slow-moving inventory that are no longer suitable for consumption and salable. The management of the Group estimates the net realisable value for such inventories based primarily on the latest invoice price and current market conditions.

(v) Impairment of receivables

The impairment policy for bad and doubtful debts of the Group is based on management's evaluation of collectability and ageing analysis of receivables (including amounts due from related parties) and on the specific circumstances for each account. Judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer or debtor. If the financial condition of the customers or debtors was to deteriorate resulting in an impairment of their ability to make payments, additional provision will be required.

(vi) Estimates of current and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation, the timing of payment of the related taxation and the implementation of these taxes. The Group recognised income tax and other taxes based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalised with the tax authorities.

(vii) Fair value measurement

Certain of the Group's financial instruments require measurement at, and/or disclosure of, fair value.

The fair values of financial instruments that are not traded in an active market, including foreign currency forward contracts, are determined with reference to dealer quotes and using valuation technique based on inputs from observable current market transactions, which requires significant estimation.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

The table below sets out the Group's combined statements of comprehensive income during the Track Record Period, which was derived from the Accountants' Report as set out in Appendix I to this prospectus:

	For the year ended 31 March	
	2014	2015
	HK$'000	*HK$'000*
Revenue	205,285	197,435
Cost of revenue	(176,391)	(158,702)
Gross profit	28,894	38,733
Other income and gains	489	351
Marketing and distribution expenses	(621)	(1,221)
Administrative and other operating expenses	(15,913)	(19,036)
Finance costs	(620)	(767)
Profit before income tax	12,229	18,060
Income tax expense	(2,044)	(3,501)
Profit for the year	10,185	14,559
Other comprehensive income for the year	—	—
Total comprehensive income for the year	10,185	14,559
Profit and total comprehensive income for the year attributable to:		
Owners of the Company	9,727	11,921
Non-controlling interests	458	2,638
	10,185	14,559

Revenue

The Group is principally engaged in (i) the provision of structural engineering works with a focus on design and build projects in Hong Kong; and (ii) trading of building material products predominately in Hong Kong. Revenue derived from these principal activities comprises the followings:

	For the year ended 31 March			
	2014		2015	
	HK$'000	*%*	*HK$'000*	*%*
Structural engineering works	199,542	97.2	183,913	93.2
Trading of building material products	5,743	2.8	13,522	6.8
	205,285	100.0	197,435	100.0

The following table provides analysis of the Group's revenue from external customers, determined based on location of the customers:

	For the year ended 31 March	
	2014	2015
	HK$'000	*HK$'000*
Hong Kong	204,640	196,530
PRC	19	—
Macau	—	698
Singapore	409	—
United Kingdom	217	207
	205,285	197,435

All of the Group's structural engineering works revenue was generated from Hong Kong and revenue from overseas was derived from sales of building material products. The Group has no present plan to develop its structural engineering business to overseas market.

Cost of revenue

The breakdown of cost of revenue during the Track Record Period is as follows:

	For the year ended 31 March			
	2014		2015	
	HK$'000	*%*	*HK$'000*	*%*
Subcontracting charges	79,474	45.1	54,633	34.4
Material and processing charges	72,752	41.2	72,493	45.7
Direct labour costs	13,365	7.6	15,532	9.8
Others	10,800	6.1	16,044	10.1
	176,391	100.0	158,702	100.0

Cost of revenue primarily comprises:

(i) Subcontracting charges represent the charges paid and payable to subcontractors who provide installation works for the completion of its design and build projects. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's subcontracting charges on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 10% and 20% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in subcontracting charges	–10%	–20%	+10%	+20%
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase/(Decrease) in profit before tax				
Year ended 31 March 2014	7,947	15,895	(7,947)	(15,895)
Year ended 31 March 2015	5,463	10,927	(5,463)	(10,927)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2014	6,636	13,272	(6,636)	(13,272)
Year ended 31 March 2015	4,562	9,124	(4,562)	(9,124)

(ii) Material and processing charges mainly include the purchases of building materials being installed/utilised in the Group's construction projects and sold to customers directly. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's material costs on the Group's profits before tax during the Track Record Period. The hypothetical fluctuation rates are set at 10% and 20% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in material and processing charges	**–10%**	**–20%**	**+10%**	**+20%**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase/(Decrease) in profit before tax				
Year ended 31 March 2014	7,275	14,550	(7,275)	(14,550)
Year ended 31 March 2015	7,249	14,498	(7,249)	(14,498)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2014	6,075	12,150	(6,075)	(12,150)
Year ended 31 March 2015	6,053	12,106	(6,053)	(12,106)

The table below sets forth the breakdown of the Group's material and processing charges during the Track Record Period by types of materials:

	For the year ended 31 March			
Type of materials	**2014**		**2015**	
	HK$'000	*%*	*HK$'000*	*%*
Aluminium	39,773	54.7	30,931	42.7
Metal	15,812	21.7	31,340	43.2
Glass and PMMA sheet	13,578	18.7	6,683	9.2
Processing charges and others	3,589	4.9	3,539	4.9
	72,752	100.0	72,493	100.0

Note: The Group may purchase one or more of the above materials from a supplier in a purchase order. As such, the classification may depend on the type of materials the Group principally purchases from a supplier.

The Group's major materials include (i) aluminium; (ii) metal, such as steel and iron; and (iii) glass and PMMA sheet. During the Track Record Period, the purchases of aluminium amounted for approximately HK$39.8 million and HK$30.9 million, representing approximately 54.7% and 42.7% of the Group's total material and processing charges, respectively. Purchases of metal increased from approximately HK$15.8 million for the year ended 31 March 2014 to HK$31.3 million for the year ended 31 March 2015 while the purchases of glass and PMMA sheet dropped from approximately HK$13.6 million for the year ended 31 March 2014 to approximately HK$6.7 million for the year ended 31 March 2015.

(iii) Direct labour costs represent compensation and benefits provided to the staff of the Group's project team.

(iv) Others represent design fee, scaffolding and platform, insurance, inspection and testing, transportation and quantity survey etc.

Gross profit and gross profit margin

The table below sets forth a breakdown of the gross profit and gross profit margin during the Track Record Period by business segment:

	For the year ended 31 March			
	2014		2015	
	HK$'000	*Gross profit margin (%)*	*HK$'000*	*Gross profit margin (%)*
Structural engineering works	26,874	13.5	33,567	18.3
Trading of building material products	2,020	35.2	5,166	38.2
	28,894	14.1	38,733	19.6

In respect of the Group's structural engineering works business segment, the table below sets forth a breakdown of the gross profit and gross profit margin during the Track Record Period by types of design and build projects:

	For the year ended 31 March			
	2014		2015	
	HK$'000	*Gross profit margin (%)*	*HK$'000*	*Gross profit margin (%)*
Facade, roof and related works	20,559	12.1	25,138	17.4
Structural steelwork and noise barriers	5,647	20.3	5,792	17.4
Flagpoles and related works	668	38.1	2,637	44.7
	26,874	13.5	33,567	18.3

In respect of the Group's structural engineering works business segment, the table below sets forth a breakdown of the gross profit and gross profit margin during the Track Record Period by public and private sectors:

	For the year ended 31 March			
	2014		2015	
	HK$'000	*Gross profit margin (%)*	*HK$'000*	*Gross profit margin (%)*
Public sector	5,780	7.4	22,617	18.5
Private sector	21,094	17.3	10,950	17.8
	26,874	13.5	33,567	18.3

Gross profit for each business segment is calculated as segment revenue minus cost of revenue allocated to the segment. Segment cost of revenue mainly includes subcontracting charges, direct labour costs and material costs.

In respect of the Group's structural engineering works business segment, gross profit margin of design and build projects in relation to flagpoles and related works are generally higher than that of the other two types of projects because flagpoles and related works projects involved less complicated installation works than the other two types of structural engineering works and hence it incurs relatively less costs of labour and processing. In addition, the flagpole products used in these projects are sourced and provided by the Group under its own brand name of "BM-POLES" and therefore the Group has greater flexibility in quoting the prices of the flagpole products in these projects.

Gross profit margin of sales of building material products are generally higher than that of structural engineering works because the Group is the exclusive agent for majority of the products that it distributes and therefore the Group faces less competition and has greater flexibility in product pricing. In addition, sales of building material products do not require labour and subcontractor works and accordingly its profit margin are not affected by labour and subcontracting charges.

Please refer to the section headed "Financial information — Comparison of results of operations" below for a discussion of the fluctuation of the Group's gross profit margin during the Track Record Period.

Other income and gains

The following table sets out the Group's other income and gains during the Track Record Period:

	For the year ended 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
Bank interest income	39	53
Exchange gain	91	—
Gain on disposal of property, plant and equipment	124	240
Others	235	58
	489	351

Marketing and distribution expenses

The following table sets out the Group's marketing and distribution expenses during the Track Record Period:

	For the year ended 31 March	
	2014	2015
	HK$'000	*HK$'000*
Advertising	124	135
Design and drafting fee	—	354
Inward freight and insurance	—	1
Commission	—	63
Samples	36	40
Transportation	461	628
	621	1,221

Administrative and other operating expenses

The following table sets out the Group's administrative and other operating expenses during the Track Record Period:

	For the year ended 31 March	
	2014	2015
	HK$'000	*HK$'000*
Audit fee	190	190
Depreciation	936	882
Directors' remuneration	4,566	3,703
Insurance	310	337
Legal and professional fee	91	845
Listing expenses	—	2,903
Management and consultancy fee	109	70
Motor vehicle expenses	552	514
Rent, rates, water and electricity	303	839
Rental office equipment	162	210
Repairs and maintenance	302	370
Staff costs	5,046	5,359
Others	3,346	2,814
	15,913	19,036

Finance cost

The following table sets out the Group's finance costs during the Track Record Period:

	For the year ended 31 March	
	2014	2015
	HK$'000	*HK$'000*
Interest on bank borrowings *(note)*		
— Bank loans and overdrafts wholly repayable within five years	566	605
— Bank loans wholly repayable after five years	31	121
Interest element of finance lease payments	23	41
	620	767

Note: This analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with scheduled repayment dates set out in the loan agreements. For the years ended 31 March 2014 and 2015, interest on bank borrowings which contain a repayment on demand clause amounted to HK$597,000 and HK$726,000 respectively.

Income tax expense

The amounts of income tax expense in the combined statements of comprehensive income represent:

	For the year ended 31 March	
	2014	2015
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
— Tax for the year	2,068	3,555
— Over-provision in respect of prior years	(24)	(54)
	2,044	3,501

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit before income tax in the combined statements of comprehensive income as follows:

	For the year ended 31 March	
	2014	2015
	HK$'000	*HK$'000*
Profit before income tax	12,229	18,060
Tax calculated at tax rate of 16.5%	2,018	2,980
Tax effect of revenue not taxable for tax purposes	(45)	(8)
Tax effect of expenses not deductible for tax purposes	18	656
Tax effect of temporary differences not recognised	69	(73)
Over-provision in respect of prior years	(24)	(54)
Others	8	—
Income tax expense	2,044	3,501

No deferred tax has been provided as there were no material temporary differences as at 31 March 2014 and 2015.

COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

The Group's revenue decreased by approximately 3.8% or HK$7.9 million from approximately HK$205.3 million for the year ended 31 March 2014 to approximately HK$197.4 million for the year ended 31 March 2015. The decrease in revenue was mainly attributable to the decrease in revenue from structural engineering works of approximately HK$15.6 million and was partly offset by the increase in revenue from sales of building material products.

A breakdown of revenue analysed by revenue scale from individual structural engineering project is set out below:

	For the year ended 31 March	
	2014	2015
	HK$ million	*HK$ million*
Revenue from individual project		
HK$10,000,000 or above	132.8	98.5
HK$5,000,000 to below HK$10,000,000	25.9	34.9
HK$1,000,000 to below HK$5,000,000	29.9	30.3
Below HK$1,000,000	10.9	20.2
	199.5	183.9

There were six projects which contributed over HK$10.0 million each in revenue in the year ended 31 March 2014 whereas there were only three projects in the year ended 31 March 2015. The total revenue recognised for the six projects in the year ended 31 March 2014 was approximately HK$132.8 million as opposed to approximately HK$98.5 million for the three projects in the year ended 31 March 2015. The two projects with highest revenue for the year ended 31 March 2015, which were originally expected to be completed with in the year ended 31 March 2015, were delayed coinciding to the overall extended project duration so that a portion of the contract works of those two projects rolled over to the following year. Thus, less revenue was recognised for the year ended 31 March 2015.

The number of projects with revenue recognised under HK$1.0 million individually increased substantially from 183 in the year ended 31 March 2014 to 278 in the year ended 31 March 2015, contributing additional revenue of approximately HK$9.3 million to partially offset the effect of drop in larger projects.

Cost of revenue

The Group's cost of revenue decreased by approximately 10.0% or HK$17.7 million from approximately HK$176.4 million for the year ended 31 March 2014 to approximately HK$158.7 million for the year ended 31 March 2015. The decrease in cost of revenue was mainly attributable to the cost of revenue for the year ended 31 March 2014 which comprised approximately 41.2% material and processing charges and approximately 45.1% subcontracting charges, whereas that for the year ended 31 March 2015 comprised approximately 45.7% material and processing charges and approximately 34.4% subcontracting charges respectively. The projects carried out in the year ended 31 March 2015 consisted of higher number of smaller scale projects which involved relatively more simple installation and construction process; accordingly, the cost component for such projects contains a higher percentage of material and lower percentage of subcontractor charges.

Gross profit and gross profit margin

Despite the decrease in revenue, the Group recorded increase of gross profit by approximately 33.9% or HK$9.8 million from approximately HK$28.9 million for the year ended 31 March 2014 to approximately HK$38.7 million for the year ended 31 March 2015.

The gross profit margin of the Group increased from approximately 14.1% for the year ended 31 March 2014 to approximately 19.6% for the year ended 31 March 2015. An analysis of the Group's gross profit and gross profit margin according to the scale of revenue of individual project of structural engineering works is set out below.

	Profit recognised			
Revenue of individual project	**2014**		**2015**	
	HK$ million	*Gross profit margin (%)*	*HK$ million*	*Gross profit margin (%)*
HK$10.0 million or above	22.4	16.9	13.6	13.8
Loss-making project *(Note 1)*	(4.8)		—	
Net	17.6		13.6	
HK$5.0 million to below HK$10.0 million	4.4	17.0	5.7	16.3
HK$1.0 million to below HK$5.0 million	7.5	25.1	8.1	26.7
Below HK$1.0 million	4.0	36.7	7.9	39.1
Loss-making projects *(Note 2)*	(1.1)		—	
Net	2.9		7.9	
Total project profit	**32.4**		**35.3**	
Unallocated project costs and adjustment on costs of projects' profit recognised in prior years	(5.5)		(1.7)	
	26.9	**13.5**	**33.6**	**18.3**

Notes:

1. The loss-making project refers to Project A which details are set out in the section headed "Business — Customers — Pricing strategies — Construction contracts for design and build projects" to this prospectus.

2. The loss-making projects refer to Project B and Project C which details are set out in the section headed "Business — Customers — Pricing strategies — Construction contracts for design and build projects" to this prospectus.

In general, smaller scale projects would have higher profit margin given that smaller projects involved more simple installation and construction process which contains lower percentage of subcontractor charges. The Group's gross profit in relation to its structural engineering works increased from approximately HK$26.9 million in the year ended 31 March 2014 to approximately HK$33.6 million in the year ended 31 March 2015 while the gross profit margin increased from approximately 13.5% to approximately 18.3%. Among the three types of design and build projects undertaken by the

Group, flagpoles and related works had the highest gross profit margin of approximately 38.1% and approximately 44.7% for the two years ended 31 March 2015 respectively. This was mainly because flagpoles and related works projects involved less complicated installation works than the other two types of structural engineering works and hence it incurs relatively less costs of labour and processing. In addition, the flagpole products used in these projects are sourced and provided by the Group under its own brand name of "BM-POLES" and therefore the Group has greater flexibility in quoting the prices of the flagpole products in these projects.

The profit recognised for projects with over HK$10.0 million revenue in the year ended 31 March 2014 comprised of, amongst others, two projects with profit of approximately HK$10.1 million and approximately HK$6.1 million respectively, both with favourable profit margin, and one project with recognised loss of approximately HK$4.8 million. The overall margin for projects with over HK$10.0 million revenue was lower in the year ended 31 March 2015 because the commencement date of two projects with favourable margin was postponed and only a small amount of profit was recognised in the year ended 31 March 2015.

The gross profit and gross profit margin for the projects with revenue from HK$1.0 million to HK$10.0 million maintained stable from the year ended 31 March 2014 to the year ended 31 March 2015 as the number of projects recognised with revenue from HK$5.0 million to HK$10.0 million maintained stable with 4 and 5, respectively, during the Track Record Period while the number of projects recognised with revenue from HK$1.0 million to HK$5.0 million increased slightly from 11 in the year ended 31 March 2014 to 12 in the year ended 31 March 2015.

Projects with revenue under HK$1.0 million for the year ended 31 March 2014 included two loss-making projects for which approximately HK$1.1 million loss was recognised. Please refer to the section headed "Business — Customers — Pricing Strategies — Construction contracts for design and build projects" to this prospectus for discussion of loss-making projects during the Track Record Period. The aggregate profit recognised for project category below HK$1.0 million revenue increased from approximately HK$2.9 million in the year ended 31 March 2014 to approximately HK$7.9 million in the year ended 31 March 2015 which represents an increase of approximately 172.4%. The increase was mainly attributable to number of projects with below HK$1.0 million revenue increased from 183 in the year ended 31 March 2014 to 278 in the year ended 31 March 2015.

The unallocated project costs are general costs of revenue which are difficult to determine on a project-by-project basis and adjustment on costs of projects' profit recognised in prior years are the costs incurred for certain projects in the financial year of which the profit has already been recognised in prior years. The adjustment on costs of projects' profit recognised in prior years during the Track Record Period did not result any project incurring material losses. The decrease in adjustment on costs of projects' profit recognised in prior years during the Track Record Period was attributable to the better cost estimation of the Group's management during the Track Record Period.

Overall, the increase in gross profit of structural engineering works for the year ended 31 March 2015 was attributable to the rise in the number of projects in the below HK$1.0 million category which in general yield a higher profit margin because they involved more simple installation and construction process, which is mainly carried out by subcontractors and decrease in unallocated project costs and adjustment on costs of projects' profit recognised in prior years.

During the Track Record Period, the Group's design and build projects for public sector recorded gross profit margin of approximately 7.4% and 18.5% respectively, while the design and build projects for private sector had a more stable gross profit margin of approximately 17.3% and 17.8% respectively. The large difference in the gross profit margin for public sector was mainly due to the loss of approximately HK$4.8 million incurred by Project A, which was completed during the year ended 31 March 2014. For further details of Project A, please refer to the section headed "Business — Customers — Pricing strategies — Construction contracts for design and build projects" to this prospectus.

The gross profit of trading of building material products increased from approximately HK$2.0 million in the year ended 31 March 2014 to approximately HK$5.2 million in the year ended 31 March 2015 which represented approximately 160.0% increase while the gross profit margin increased slightly from approximately 35.2% to approximately 38.2%. The sale of building material products is dependent on the customers' construction project progress. Given that the Group's customers in building material products have more works in the year ended 31 March 2015, the revenue attributable to trading of building material products increased significantly from the year ended 31 March 2014 to the year ended 31 March 2015.

Other income and gains

The other income and gains of the Group decreased from approximately HK$0.5 million for the year ended 31 March 2014 to approximately HK$0.4 million for the year ended 31 March 2015 representing approximately 20.0% decrease.

Marketing and distribution expenses

The marketing and distribution expenses of the Group increased substantially by approximately 100.0% or HK$0.6 million from approximately HK$0.6 million for the year ended 31 March 2014 to approximately HK$1.2 million for the year ended 31 March 2015. The increase in marketing and distribution expenses was mainly attributable to design and drafting fee of approximately HK$0.4 million spent on project proposals which was not assignable to specific projects being charged to marketing expense. Transportation expenses increased by approximately HK$0.1 million to cope with the development in business and increasing number of projects completed in the year ended 31 March 2015.

Administrative and other operating expenses

The administrative and other operating expenses of the Group increased by approximately 19.5% or HK$3.1 million from approximately HK$15.9 million for the year ended 31 March 2014 to approximately HK$19.0 million for the year ended 31 March 2015. The increase in administrative and other operating expenses was mainly attributable to the listing expenses of approximately HK$2.9 million.

Finance costs

The Group's finance costs increased by approximately 33.3% or HK$0.2 million from approximately HK$0.6 million for the year ended 31 March 2014 to approximately HK$0.8 million for the year ended 31 March 2015. The increase in finance costs was mainly attributable to the increase in bank borrowings to finance for the Group's business.

Profit before income tax

As a result of the foregoing, profit before income tax increased by approximately 48.4% or HK$5.9 million from approximately HK$12.2 million for the year ended 31 March 2014 to approximately HK$18.1 million for the year ended 31 March 2015.

Income tax expense

The Group's income tax expense increased by approximately 75.0% or HK$1.5 million from approximately HK$2.0 million for the year ended 31 March 2014 to approximately HK$3.5 million for the year ended 31 March 2015. The increase in income tax expense was mainly attributable to the increase in profit before income tax from approximately HK$12.2 million for the year ended 31 March 2014 to approximately HK$18.1 million for the year ended 31 March 2015. In addition, the Group recognised listing expenses of HK$2.9 million in profit or loss for the year ended 31 March 2015, which is non-deductible for tax purpose and thus has been added back in determining income tax expenses for the year.

The effective tax rate for the two years ended 31 March 2015 were approximately 16.7% and 19.4% respectively. The increase in the effective tax rate was mainly due to the non-deductible listing expenses incurred for the year ended 31 March 2015 as aforementioned.

Profit for the year and profit for the year attributable to owners of the Company

The profit for the year increased by approximately 43.1% or HK$4.4 million from approximately HK$10.2 million for the year ended 31 March 2014 to approximately HK$14.6 million for the year ended 31 March 2015 due to combined effect of abovementioned items. The profit for the year attributable to owners of the Company increased by approximately 22.7% or HK$2.2 million from approximately HK$9.7 million for the year ended 31 March 2014 to approximately HK$11.9 million for the year ended 31 March 2015 which the increasing rate is lower than that of the profit for the year. The lower increasing rate of profit for the year attributable to owners of the Company was attributable to the better performance of trading of building material products in the year ended 31 March 2015 and the operating vehicle, BuildMax (HK), was a non-wholly owned subsidiary in the Group during the year ended 31 March 2015.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, the Group's operations were generally financed through a combination of shareholder's equity, internally generated cash flows and borrowings from banks. The Directors believe that in the long term, the Group's operation will be funded by internally generated cash flows and bank borrowings and, if necessary, additional equity financing.

Cash flows

The following table sets forth selected cash flows data from the Group's combined statements of cash flows for the years indicated:

	For the year ended 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
Net cash from/(used in) operating activities	17,187	(8,163)
Net cash used in investing activities	(7,426)	(3,350)
Net cash (used in)/from financing activities	(6,459)	4,798
Net increase/(decrease) in cash and cash equivalents	3,302	(6,715)
Cash and cash equivalents at beginning of year	4,190	7,492
Cash and cash equivalents at end of year	7,492	777
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	10,485	5,791
Less: Bank overdrafts	(2,993)	(5,014)
	7,492	777

Net cash from/(used in) operating activities

The Group generates its cash inflow from operating activities principally from cash receipts from customers. The Group's cash outflow from operating activities is principally for the payment to its suppliers, subcontractors and staff.

For the year ended 31 March 2014, the Group recorded net cash from operating activities of approximately HK$17.2 million, primarily as a result of operating profit after tax and adjusting for the effects of transactions of a non-cash nature and item of income and expense associated with investing or financing cash flows before working capital changes of approximately HK$14.5 million, decrease in amounts due from customers of contract works of approximately HK$10.4 million and decrease in trade and other receivables, deposits and prepayments of approximately HK$20.6 million which is partly offset by the increase in inventories of approximately HK$0.5 million, decrease in amounts due to customers of contract works of approximately HK$12.8 million and decrease in trade and other payables of approximately HK$13.0 million.

For the year ended 31 March 2015, the Group recorded net cash used in operating activities of approximately HK$8.2 million, primarily as a result of increase in inventories of approximately HK$0.9 million, increase in amounts due from customers of contract works of approximately HK$16.7 million, increase in trade and other receivables, deposits and prepayments of approximately HK$31.6 million, decrease in amounts due to customers of contract works of approximately HK$0.3 million and increase in pledged deposits of approximately HK$2.4 million which was partly offset by operating profit after tax and adjusting for the effects of transactions of a non-cash nature and item of income and expense associated with investing or financing cash flows before working capital changes of approximately HK$20.0 million and increase in trade and other payables of approximately HK$26.5 million.

Net cash used in investing activities

The Group generates its cash inflow from investing activities principally from proceeds from disposal of property, plant and equipment and decrease in amounts due from related companies and parties. The Group's cash outflow from investing activities primarily consists of purchase of property, plant and equipment, increase in amounts due from Directors and increase in amounts due from related companies and parties.

For the year ended 31 March 2014, the Group recorded net cash used in investing activities of approximately HK$7.4 million, primarily as a result of purchase of property, plant and equipment of approximately HK$0.3 million, increase in amounts due from Directors of approximately HK$4.1 million, increase in amounts due from related companies and parties of approximately HK$3.1 million which is partly offset by proceeds from disposal of property, plant and equipment of approximately HK$0.1 million.

For the year ended 31 March 2015, the Group recorded net cash used in investing activities of approximately HK$3.4 million, primarily as a result of increase in pledged bank deposits of approximately HK$2.4 million, purchase of property, plant and equipment of approximately HK$0.8 million and increase in amounts due from Directors of approximately HK$1.1 million which was partly offset by proceeds from disposal of property, plant and equipment of approximately HK$0.1 million and decrease in amounts due from related companies and parties of approximately HK$0.9 million.

Net cash (used in)/from financing activities

The Group generated its cash inflow from financing activities principally from borrowings from banks and increase in amounts due to related parties during the Track Record Period. The Group's cash outflow from financing activities during the Track Record Period related to dividend paid, repayments of bank borrowings and the capital element of finance lease payment.

For the year ended 31 March 2014, the Group recorded net cash used in financing activities of approximately HK$6.5 million, primarily as a result of dividends paid to non-controlling interests of approximately HK$2.0 million, repayment of bank borrowings of approximately HK$25.8 million and capital element of finance lease payment of approximately HK$0.2 million which was partly offset by proceeds from new bank borrowings of approximately HK$21.5 million.

For the year ended 31 March 2015, the Group recorded net cash from financing activities of approximately HK$4.8 million, primarily as a result of proceeds from new bank borrowings of approximately HK$27.9 million and increase in amounts due to related parties of approximately HK$0.1 million which was partly offset by dividends paid of approximately HK$1.2 million, dividends paid to non-controlling interests of approximately HK$0.8 million, repayment of bank borrowings of approximately HK$20.9 million and capital element of finance lease payment of approximately HK$0.3 million.

NET CURRENT ASSETS

The following table sets out details of the current assets and liabilities as at the dates indicated:

	As at 31 March 2014	As at 31 March 2015	As at 31 August 2015
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)
Current assets			
Inventories	2,547	3,309	3,585
Amounts due from customers of contract works	9,678	26,354	14,658
Trade and other receivables, deposits and prepayments	50,329	82,100	97,532
Amounts due from related companies	6,755	6,362	6,624
Amounts due from related parties	930	—	—
Amounts due from directors	1,965	2,493	3,370
Tax recoverable	938	8	8
Pledged deposits	1,500	—	—
Pledged bank deposits	7,589	10,027	10,241
Cash and bank balances	10,485	5,791	14,774
	92,716	136,444	150,792
Current liabilities			
Amounts due to customers of contract works	4,353	4,037	10,174
Trade and other payables	24,986	51,888	56,391
Derivative financial instruments	41	276	607
Amounts due to related parties	—	92	—
Tax payable	1,121	1,615	3,269
Bank borrowings	12,862	21,890	21,666
Obligation under finance leases	191	279	266
	43,554	80,077	92,373
Net current assets	49,162	56,367	58,419

The Group's current assets primarily comprise inventories, amounts due from customers of contract works, trade and other receivables, deposits and prepayments, amounts due from related companies, related parties and the Directors, tax recoverable, pledged deposits and pledged bank deposits and cash and bank balances. The Group's current liabilities primarily comprise amounts due to customers of contract works, trade and other payables, derivative financial instruments, amounts due to related parties, tax payable, bank borrowings and obligation under finance leases. The Group had been in net current asset position during the Track Record Period and up to 31 August 2015, being the latest practicable date for ascertaining the financial information of the Group.

The increase in the Group's net current assets from approximately HK$49.2 million as at 31 March 2014 to approximately HK$56.4 million as at 31 March 2015 was mainly attributable to the profit for the year ended 31 March 2015 of approximately HK$14.6 million which was partly offset by the increase of non-current assets of approximately HK$4.6 million from approximately HK$6.4 million as at 31 March 2014 to approximately HK$11.0 million as at 31 March 2015 and the declaration of dividend of approximately HK$3.0 million during the year ended 31 March 2015.

The Group's current assets increased from approximately HK$92.7 million as at 31 March 2014 to approximately HK$136.4 million as at 31 March 2015 was mainly attributable to the increase in (i) inventories of approximately HK$0.8 million; (ii) amounts due from customers of contract works of approximately HK$16.7 million; (iii) trade and other receivables, deposits and prepayments of approximately HK$31.8 million; (iv) amounts due from the directors of approximately HK$0.5 million; and (v) pledged bank deposits of approximately HK$2.4 million which was partly offset by the decrease in (i) amounts due from related companies of approximately HK$0.4 million; (ii) amounts due from related parties of approximately HK$0.9 million; (iii) tax recoverable of approximately HK$0.9 million; (iv) pledged deposits of approximately HK$1.5 million; and (v) cash and bank balances of approximately HK$4.7 million.

The Group's current liabilities increased from approximately HK$43.6 million as at 31 March 2014 to approximately HK$80.1 million as at 31 March 2015 was mainly attributable to the increase in (i) trade and other payables of approximately HK$26.9 million; (ii) tax payable of approximately HK$0.5 million; and (iii) bank borrowings of approximately HK$9.0 million.

As at 31 August 2015, being the latest practicable date for ascertaining the financial information of the Group, the Group had net current assets of approximately HK$58.4 million.

INVENTORY ANALYSIS

The following table sets out the inventory balance by status as at the end of each year of the Track Record Period:

	As at 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
Raw materials and supplies	2,547	3,309

The increase in level of inventory from approximately HK$2.5 million as at 31 March 2014 to approximately HK$3.3 million as at 31 March 2015 was mainly attributable to the increase in business of trading of building material products. The Group's construction works do not maintain a high level of inventories as materials for the Group's construction projects are generally delivered directly to work site for installation and are included in construction works. As at 31 August 2015, approximately 52.7% of the inventory as at 31 March 2015 were subsequently sold and used by the Group.

The following table sets out the average inventory turnover days for the Track Record Period:

	As at 31 March	
	2014	2015
Inventory turnover days	4.1	5.4

Note: The inventory turnover days for a year is the average inventory divided by revenue for that year and multiplied by 365 days.

AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

The following table sets out the details of the amounts due from/to customers for contract works as at the end of each year of the Track Record Period:

	As at 31 March	
	2014	2015
	HK$'000	*HK$'000*
Costs incurred to date plus recognised profits	227,837	267,599
Less: Progress billings to date	(222,512)	(245,282)
	5,325	22,317
Amounts due from customers of contract works	9,678	26,354
Amounts due to customers of contract works	(4,353)	(4,037)
	5,325	22,317

The net amounts due from customers of contract works increased from approximately HK$5.3 million as at 31 March 2014 to approximately HK$22.3 million as at 31 March 2015. The increase in net amounts from customers of contract works was mainly due to (i) a substantial amount of contract costs incurred on the largest project for the year ended 31 March 2015 has not yet certified by the customer; and (ii) the costs incurred in designing and purchasing certain materials relating to certain projects which were not billable according to the project stage at the end of the reporting period.

As at 31 March 2015 and 31 August 2015, the net amounts due from customer of contract works was approximately HK$22.3 million and HK$4.5 million respectively. Such decrease was mainly due to project costs that were not yet certified by the Group's customers and not billable according to the project stage as at 31 March 2015 being billed to the Group's customers subsequent to the year end. As at the Latest Practicable Date, the Group subsequently billed HK$23.3 million and HK$1.6 million for the amounts due from customers of contract works as at 31 March 2015 and 31 August 2015, respectively and received settlement of approximately HK$19.9 million and nil of the respective billed amounts.

TRADE RECEIVABLES ANALYSIS

The following table sets out the trade and other receivables, deposits and prepayments as at the end of each year of the Track Record Period:

	As at 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
Trade and bills receivables		
Trade and bills receivables	27,441	57,788
Less: Provision for impairment	(566)	(665)
Trade and bills receivables, net *(note (a))*	26,875	57,123
Other receivables, deposits and prepayments		
Retention receivables	23,018	23,939
Less: Provision for impairment	(187)	(269)
Retention receivables, net *(note (b))*	22,831	23,670
Deposits	447	169
Prepayments	176	1,138
	23,454	24,977
	50,329	82,100

(a) The movements in the allowance for impairment of trade and bills receivables during the Track Record Period are as follows:

	As at 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
At the beginning of the year	—	566
Impairment loss recognised	566	99
At the end of the year	566	665

Trade and bills receivables of HK$566,000 and HK$665,000 as at 31 March 2014 and 2015 respectively were impaired and full provision have been made for the balances.

The ageing analysis of trade and bills receivables (net), based on invoice date, as of the end of each year of the Track Record Period is as follow:

	As at 31 March	
	2014	2015
	HK$'000	*HK$'000*
0 – 30 days	15,810	29,483
31 – 60 days	4,654	18,036
61 – 90 days	495	2,634
Over 90 days	5,916	6,970
	26,875	57,123

The ageing analysis of trade and bills receivables (net), based on due date, as at the end of each year of the Track Record Period are as follow:

	As at 31 March	
	2014	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	15,991	28,389
Past due but not impaired		
Past due for less than 30 days	4,522	18,800
Past due for 30 days or more but less than 60 days	434	2,929
Past due for 60 days or more but less than 90 days	235	640
Past due for 90 days or more	5,693	6,365
	10,884	28,734
	26,875	57,123

Bills receivable are subject to tenor of 30 to 60 days. The credit period granted to other trade debtors ranged from 30 to 60 days.

Receivables that were neither past due nor impaired related to a range of customers for whom there was no recent history of default. Receivables that were past due but not impaired related to customers with long business relationship. Based on past experience, management believes that no impairment allowance is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(b) The movements in the allowance for impairment of retention receivables during the Track Record Period are as follows:

	As at 31 March	
	2014	2015
	HK$'000	*HK$'000*
At the beginning of the year	—	187
Impairment loss recognised	187	107
Bad debts written off	—	(25)
At the end of the year	187	269

As at 31 March 2014 and 2015, based on due date, the Group's retention receivables of approximately HK$18,008,000 and HK$21,914,000 respectively were not yet past due and the remaining balance of approximately HK$4,823,000 and HK$1,756,000 respectively were past due, of which approximately HK$1,180,000 and HK$1,318,000 respectively were past due for over one year. Based on the assessment of the directors, no impairment allowance is necessary for the net retention receivables outstanding at the end of the reporting periods as those balances are from customers with long business relationship and there has not been a significant change in their credit quality. Approximately HK$1,760,000 of the retention receivables as at 31 March 2015 was subsequently settled by the Group's customers, which are the Independent Third Parties, up to the Latest Practicable Date.

The following table sets out the trade receivable turnover days for the Track Record Period:

	As at 31 March	
	2014	2015
Trade receivable turnover days	77.8	77.6

Note: The average trade and bills receivables turnover days for a year is the average of opening and closing gross trade and bills receivables balances divided by revenue for that year and multiplied by 365 days.

As previously mentioned, the progress of the two projects with highest revenue for the year ended 31 March 2015 was delayed coinciding to the overall extended project duration, as a result, a large portion of the works on the projects were carried out near end of the year ended 31 March 2015 to catch up the delay. Accordingly, a large amount of billings for these two projects which amounted to approximately HK$21.5 million remained in trade and bills receivables as at 31 March 2015. Up to the Latest Practicable Date, approximately HK$49.6 million of the trade and bills receivables as at 31 March 2015 has been settled by the Group's customers, which are the Independent Third Parties.

The trade receivables aged over 90 days for both year 2014 and 2015 mainly comprised of receivables for one project which the Group has been and still is in negotiation with the customer over works certification.

The Group's customers of design and build project typically issue payment certificates within one month after the Group's submission of payment applications and the credit period for payment is normally 30 days after issue of payment certificates; accordingly, the bills for design and build project will remain in receivables for 60 to 90 days after the month in which works were performed.

The trade receivable turnover days for the year ended 31 March 2014 and the year ended 31 March 2015 is approximately 77.8 days and 77.6 days respectively, which is slightly over the credit period of 60 days, as normal the Group will send out the payment application two weeks after each month end.

TRADE PAYABLES ANALYSIS

The following table sets out the trade and other payables as at the end of each year of the Track Record Period:

	As at 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
Trade payables *(note (a))*	19,603	35,459
Bills payable	—	5,172
Trade and bills payables *(note (b))*	19,603	40,631
Retention payables *(note (c))*	2,872	6,993
Receipts in advance	777	514
Other payables, accruals and deposits received	1,734	3,750
	24,986	51,888

Notes:

(a) Included in trade payables were balances due to related companies amounting to HK$657,000 and HK$946,000 respectively as at 31 March 2014 and 2015 which arose from the trading transactions as disclosed in note 37(a) of the Accountants' Report in Appendix I to this prospectus. These balances are unsecured, interest free and due for settlement within 30 days from the transaction date.

(b) The Group's bills payable are subject to a tenor of up to 120 days. For other trade payables, the credit period granted by suppliers and contractors is normally 30 to 60 days.

The ageing analysis of trade and bills payables, based on invoice date, as of the end of each of the Track Record Period is as follows:

	As at 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
0–30 days	7,996	17,678
31–60 days	3,381	18,292
61–90 days	2,360	1,983
Over 90 days	5,866	2,678
	19,603	40,631

(c) As at 31 March 2014 and 2015, retention payables of HK$2,752,000 and HK$4,547,000 respectively were aged one year or below and the remaining balance of approximately HK$120,000 and HK$2,446,000 respectively were aged over one year.

The following table sets out the trade payable turnover days for the Track Record Period:

	As at 31 March	
	2014	2015
Trade payable turnover days	57.3	68.9

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by purchases for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year).

The trade and bill payables as at 31 March 2015 and 2014 was approximately HK$40.6 million and HK$19.6 million respectively. Up to 31 August 2015, approximately HK$37.3 million of the trade and bill payables has been settled.

The Group's suppliers of building material products usually allow a credit period of 30 days while the Group's subcontractors typically submits application for payment within 14 days after end of each month and the payment certificates will usually be issued within 14 days of application; payments are typically made within 30 days after issue of payment certificates. As a result, balance of the Group's trade creditor's normally remaining in payables for between 30 to 60 days.

The trade payables turnover days for the year ended 31 March 2014 and the year ended 31 March 2015 is approximately 57.3 days and approximately 68.9 days respectively, the increase was mainly because large portion of works on the two highest revenue projects for year ended 31 March 2015 was recognised in latter part of the financial year and accordingly, a large amount of subcontractor billings remained in trade payables as at 31 March 2015.

KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of the Group during the Track Record Period:

		For the year ended/ As at 31 March	
	Note	2014	2015
Return on total assets	1	10.3%	9.9%
Return on equity	2	18.5%	21.8%
Current ratio	3	2.1	1.7
Quick ratio	4	2.1	1.7
Gearing ratio	5	24.4%	34.1%
Net profit margin	6	5.0%	7.4%

Notes:

1. Return on total assets is calculated based on the profit for the year divided by the total assets as at the end of the year.

2. Return on equity is calculated based on the profit for the year divided by total equity at the end of the year.

3. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year.

4. Quick ratio is calculated based on the difference between the total current assets and inventories divided by the total current liabilities at the end of the year.

5. Gearing ratio is calculated based on the total loans and borrowings divided by total equity at the end of the year.

6. Net profit margin is calculated by the total comprehensive income for the year divided by the revenue for the respective year.

Key financial ratios

Return on total assets

The Group's return on total assets dropped slightly from approximately 10.3% for the year ended 31 March 2014 to approximately 9.9% for the year ended 31 March 2015 which was due to the increase in trade receivables and amounts due from customers of contract works as at 31 March 2015. The progress of the two highest revenue projects for the year ended 31 March 2015 was delayed and a large portion of the revenue from these two projects was recognised in the latter part of the financial year to catch up the project progress; accordingly a large amount of billings and unbilled revenue remained in receivables and amounts due from customers of contract works as at 31 March 2015.

Return on equity

The Group's return on equity improved from approximately 18.5% for the year ended 31 March 2014 to approximately 21.8% for the year ended 31 March 2015, which was mainly due to the increase in net profit and net profit margin for the year ended 31 March 2015.

Current ratio

The Group's current ratio decreased from approximately 2.1 as at 31 March 2014 to approximately 1.7 as at 31 March 2015 mainly because of the rise in trade receivables and amounts due from customers of contract works in the year ended 31 March 2015 for design and build projects which billings remained unsettled as at 31 March 2015.

Quick ratio

The Group's quick ratio decreased from approximately 2.1 as at 31 March 2014 to approximately 1.7 as at 31 March 2015 mainly because of the rise in trade receivables and amounts due from customers of contract works in the year ended 31 March 2015 for design and build projects which billings remained unsettled as at 31 March 2015.

Gearing ratio

The gearing ratio of the Group increased from approximately 24.4% as at 31 March 2014 to approximately 34.1% as at 31 March 2015 due to a rise in bank borrowings to provide working capital for design and build projects which billings remained unsettled as at 31 March 2015.

Net profit margin

The Group's net profit margin improved from approximately 5.0% for the year ended 31 March 2014 to approximately 7.4% for the year ended 31 March 2015, which was mainly driven by the rise in profit before tax and partially offset by a rise in the effective tax rate from approximately 16.7% for the year ended 31 March 2014 to approximately 19.4% for the year ended 31 March 2015 as professional and other expenses incurred in relation to the Listing for the year ended 31 March 2015 are not deductible for profits tax purpose.

CAPITAL COMMITMENTS

At 31 March 2014 and 2015, the Group had the following capital commitments:

	As at 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
Commitments for the investment in a subsidiary — contracted but not provided for	—	1,000

The capital commitments were the commitments for the investment in KPa (SZ).

CAPITAL EXPENDITURE

During the Track Record Period, the Group did not incur any material capital expenditure due to its business model. The Group's capital expenditure for the two years ended 31 March 2015 amounted to approximately HK$0.8 million and approximately HK$1.6 million, respectively, comprising mainly expenditures for computer, office equipment, furniture and fixtures, and purchase of motor vehicles.

For the years ending 31 March 2016 and 2017, the Group estimates that the capital expenditures will amount to approximately HK$2.5 million and nil, respectively, which are primarily for paying the lifetime waiver fees of approximately HK$2.2 million and the remaining of HK$0.3 million for leasing a new office for expansion of the Group's structural design and shop drawing teams and purchase of computers and office equipment. The waiver fees have been fully paid and financed by the Group's existing banking facilities in August 2015 and the Directors expect to fund such planned capital expenditures principally through the net proceeds from the Placing and cash generated from operating activities. The Directors believe that these sources of funding will be sufficient to finance the Group's planned capital expenditures for the next 12 months.

The planned capital expenditures are subject to revision based upon any future changes in the Group's business plan, market conditions, and economic and regulatory environment. Please refer to the section headed "Statement of business objectives and use of proceeds" for further details.

INDEBTEDNESS

The following table sets out the Group's indebtedness as at the respective financial position dates:

	As at 31 March		As at 31 August
	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)
Current liabilities			
Bank borrowings	12,862	21,890	21,666
Obligation under finance leases	191	279	266
	13,053	22,169	21,932
Non-current liabilities			
Obligation under finance leases	408	618	499
	13,461	22,787	22,431

As at 31 March 2014 and 2015 and 31 August 2015, the Group's indebtedness position was at approximately HK$13.5 million, HK$22.8 million and HK$22.4 million, respectively. The Group's indebtedness was primarily bank borrowings, approximately HK$12.9 million, HK$21.9 million and HK$21.7 million respectively as of 31 March 2014 and 2015 and 31 August 2015, which was used for financing the Group's daily operations.

As at 31 August 2015, the Group had a total available banking and other facilities of approximately HK$66.2 million, of which approximately HK$24.9 million was utilised and approximately HK$41.3 million was unutilised and available for use. The Group intends to repay any outstanding banking facilitates primarily by the internal resources generated from its operating activities. The Directors confirm that the Group has not experienced any difficulties in obtaining bank borrowings nor any default in repayment on bank borrowings during the Track Record Period and up to the Latest Practicable Date.

Bank borrowings

The status of the Group's bank borrowings as at the respective financial position dates is as follows:

	As at 31 March		As at 31 August
	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)
Current liabilities			
Secured and interest-bearing bank borrowings			
Bank overdrafts	2,993	5,014	—
Bank loans subject to repayment on demand clause			
— Bank loans due for repayment within one year	4,504	12,755	18,390
— Bank loans due for repayment after one year	5,365	4,121	3,276
	9,869	16,876	21,666
	12,862	21,890	21,666

Notes:

(a) Bank borrowings, including trade financing, are interest bearing at the banks' prime rates or cost of funds or Hong Kong Inter-Bank Offered Rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 31 March 2014 and 31 March 2015 granted under banking facilities ranged from 2.97% to 6.50% and 2.58% to 6.25% respectively per annum.

The interest rates of the Group's bank loans as at 31 August 2015 ranged from 2.99% to 5.50% per annum.

(b) The Group's bank borrowings and banking facilities as at 31 March 2014 and 2015 are secured by the followings:

— land and buildings with net carrying amount of HK$4,069,000 and HK$5,191,000 as at 31 March 2014 and 31 March 2015 respectively;

— bank deposits of HK$7,589,000 and HK$10,027,000 as at 31 March 2014 and 31 March 2015 respectively; and

— personal guarantees executed by three Directors, namely Mr. Lui, Mr. Wai and Mr. Yip.

The Group's bank borrowings and banking facilities as at 31 August 2015 are secured by the followings:

— land and buildings with net carrying amount of HK$5,121,000 as at 31 August 2015;

— bank deposits of HK$10,241,000 as at 31 August 2015; and

— personal guarantees executed by three Directors, namely Mr. Lui, Mr. Wai and Mr. Yip. The personal guarantees provided by Mr. Lui, Mr. Wai and Mr. Yip for the banking facilities existed at the date of this prospectus will be fully released, discharged or replaced by corporate guarantees or other securities provided by the Group upon the Listing.

In addition, outstanding loan balances of HK$2,690,000, HK$1,536,000 and HK$200,000 as at 31 March 2014, 31 March 2015 and 31 August 2015 respectively are also subject to special loan guarantee issued by the Government of The Hong Kong Special Administrative Region.

As at the respective financial position dates, the Group's bank loans and overdrafts were scheduled to repay as of the end of each year of the Track Record Period and 31 August 2015 were as follows:

	As at 31 March		As at 31 August
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000* **(Unaudited)**
On demand or within one year	7,497	17,769	18,390
More than one year, but not exceeding two years	1,245	824	405
More than two years, but not exceeding five years	1,918	1,530	1,290
More than five years	2,202	1,767	1,581
	12,862	21,890	21,666

The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

Obligation under finance leases

The Group leases certain of its motor vehicles and office equipment and these leases are classified as finance leases. The lease obligations are secured by the leased assets.

The future lease payments under the finance lease are due as follows:

	Minimum lease payments	Interest	Present value of minimum lease payments
	HK$'000	*HK$'000*	*HK$'000*
As at 31 March 2014			
Not later than one year	214	(23)	191
Later than one year but not later than five years	430	(22)	408
	644	(45)	599

	Minimum lease payments	Interest	Present value of minimum lease payments
	HK$'000	*HK$'000*	*HK$'000*
As at 31 March 2015			
Not later than one year	320	(41)	279
Later than one year but not later than five years	621	(3)	618
	941	(44)	897

	Minimum lease payments	Interest	Present value of minimum lease payments
	HK$'000 **(Unaudited)**	*HK$'000* **(Unaudited)**	*HK$'000* **(Unaudited)**
As at 31 August 2015 (Unaudited)			
Not later than one year	289	(23)	266
Later than one year but not later than five years	501	(2)	499
	790	(25)	765

The aggregate net carrying amounts of the Group's office equipment and motor vehicles held under finance leases and classified as property, plant and equipment as at 31 March 2014 and 2015 amounted to HK$632,000 and HK$1,350,000 respectively.

The net carrying amount of the Group's motor vehicles held under finance leases and classified as property, plant and equipment as at 31 August 2015 amounted to HK$1,093,000.

The Group's finance lease liabilities are subject to personal guarantees provided by Mr. Yip and Mr. Wai. The Directors confirmed that the outstanding finance lease liabilities would be settled prior to the Listing Date. After full repayment of such finance lease liabilities, the aforementioned personal guarantee given by Mr. Yip and Mr. Wai will be released.

The present value of future lease payments are analysed as:

	As at 31 March		As at 31 August
	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000* **(Unaudited)**
Current liabilities	191	279	266
Non-current liabilities	408	618	499
	599	897	765

The effective interest rates of the Group's finance lease liabilities as at 31 March 2014 and 2015 and 31 August 2015 ranged from 1.40% to 4.91%, 1.40% to 3.82% and 1.80% to 3.82%, respectively.

Contingent liabilities

Guarantees

The Group provided guarantee in respect of the surety bonds issued in favour of the customers of certain construction contracts as at the respective financial position dates as follows:

	As at 31 March		As at 31 August
	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000* **(Unaudited)**
Aggregate value of the surety bonds issued in favour of customers	4,191	11,446	11,446

As at 31 March 2014 and 2015 and 31 August 2015, the Group has placed aggregate deposits of HK$1,500,000, HK$3,900,000 and HK$3,900,000 respectively with an insurance company as collaterals for the surety bonds issued.

Litigation

During the Track Record Period, a number of lawsuits and claims arising from the normal course of business were lodged against the Group which remained outstanding as of 31 August 2015. Claim amounts are not specified in some of the applications of these lawsuits and claims. In the opinion of the Directors, sufficient insurance coverage are maintained to cover the losses, if any, arising from most of these lawsuits and claims and therefore the ultimate liability under these lawsuits and claims would not have a material adverse impact on the financial position of the Group.

Save as aforesaid and as otherwise disclosed in Section "Financial information — Indebtedness" to this prospectus and apart from intra-group liabilities and normal trade payables, the Group did not have any mortgages, charges, debt securities, term loans, other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, or any guarantees or other material contingent liabilities at the close of business on 31 August 2015.

Disclaimer

The Directors confirmed that (i) the Group has not experienced any difficulty in obtaining bank borrowing or any default in payment on bank borrowings or any breach of finance covenants during the Track Record Period and up to the Latest Practicable Date; (ii) there has not been any material change in the Group's indebtedness and contingent liabilities since 31 August 2015 and up to the Latest Practicable Date; (iii) the Directors are not aware of any material defaults in payment of the Group's trade and non-trade payables and bank borrowings during the Track Record Period and up to the Latest Practicable Date; (iv) the bank loans, finance lease and bank facility is subject to standard banking conditions and not subject to fulfillment of covenants relating to the financial ratio requirements or any other material covenants which could adversely affect the Group's ability to undertake additional debt on equity financings; and (v) the Group has not received any notice from banks indicating that they might withdraw or downsize the bank loans or bank facilities and none of the Group's bank borrowings and facilities are subject to the fulfillment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect the Group's ability to undertake additional debt or equity financings. Save as disclosed in section "Financial information — Indebtedness" to this prospectus, the Group did not have, at the close of business on 31 August 2015, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

PROPERTY INTERESTS AND PROPERTY VALUATION

Asset Appraisal Limited, an independent property valuer, has valued the Group's property interests as of 30 June 2015 and is of the opinion that the aggregate value of the property interests as of such date was HK$23,950,000. The full text of the letter and the valuation certificate issued by Assets Appraisal Limited are set out in Appendix III to this prospectus. The table below shows a reconciliation of the amount of the Group's property interests as reflected in the combined financial information as at 31 March 2015 as set out in Appendix I to this prospectus with the valuation of these properties as at 30 June 2015 as set out in Appendix III to this prospectus:

	HK$'000
Net book value of the properties as at 31 March 2015	
— Leasehold land and building	5,191
Less: Movements for the three months ended 30 June 2015	
— Depreciation and amortization	(42)
Net book value of the properties as at 30 June 2015	5,149
Net valuation surplus	18,801
Valuation as at 30 June 2015	23,950

DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
Derivative financial liabilities		
— Foreign exchange forward contracts	41	276

The Group entered into foreign exchange forward contracts for investment purposes. These contracts are to be settled on net basis on the maturity dates of the instruments and details are set out as follows:

(a) As at 31 March 2014, there were three outstanding foreign exchange forward contracts which included the following contracts:

— one contract with notional amount of US$500,000 which purchased RMB and sell US$. The contract will mature in ten months from 31 March 2014. The contract rate was RMB6.052: US$1. This contract matured during the year ended 31 March 2015; and

— two contracts with aggregate notional amount of US$300,000 having a tenor of 24 months and will mature within two years from 31 March 2014. The amount to be received/settled by the Group on a monthly basis throughout the contract period depends on the exchange rate of US$ against RMB on each monthly valuation date.

The fair value of these contracts is estimated to be HK$41,000 (financial liability) and it is classified as a current liability as at 31 March 2014.

(b) As at 31 March 2015, the aggregate notional amount of the two outstanding foreign exchange forward contracts amounted to US$300,000. These contracts have a tenor of 24 months and will mature within one year from 31 March 2015. The amount to be received/settled by the Group on a monthly basis throughout the contract period depends on the exchange rate of US$ against RMB on each monthly valuation date. The fair value of these contracts is estimated to be HK$276,000 (financial liability) and it is classified as a current liability as at 31 March 2015.

The Group has no formal and written investment and treasury policies. During the Track Record Period, the executive Directors relied on the professional advice of the relevant bank in making investment decisions and the entering into such foreign exchange forward contracts was approved by the executive Directors. Mr. Yip, the chairman of the Board and an executive Director, and Mr. Chan Ngai Fan, the financial controller of the Group, will be responsible for the on-going reviewing and monitoring of the Group's exposure under the outstanding foreign exchange forward contracts. Internal valuation will also be performed at the end of each quarter based on the then available market data and the open position of the foreign exchange forward contracts at each quarter end will also be reviewed by the audit committee after the Listing. Save and except the two outstanding foreign exchange forward contracts, the Group does not intend to engage in such investments activities in the future.

LISTING EXPENSES

The Group expects that its total listing expense, which is non-recurring in nature, will amount to approximately HK$18.0 million. Out of the total HK$18.0 million in listing expense, the Group has incurred approximately HK$3.8 million (including approximately HK$2.9 million recognised as expense in the combined statements of comprehensive income) during the year ended 31 March 2015. For the remaining amount of approximately HK$14.2 million, the Group expects to further recognise approximately HK$9.4 million in the combined statements of comprehensive income for the year ending 31 March 2016. Accordingly, the financial results of the Group for the year ending 31 March 2016 are expected to be affected by the estimated expenses in relation to the Listing. Such listing expense is a current estimate for reference only and the final amount to be charged to the profit and loss account of the Group for the year ending 31 March 2016 and the amount to be deducted from the Group's capital is subject to change.

NO MATERIAL ADVERSE CHANGE

Save as the Listing expenses, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 March 2015 (being the date to which the latest audited combined financial statements of the Group were prepared), and there is no event since 31 March 2015 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

WORKING CAPITAL

The Group experienced negative operating cash flow for the year ended 31 March 2015 primarily due to the increase in amounts due from customers of contract works, and trade and other receivables, deposits and prepayments.

Taking in consideration the facts that (i) the Group has banking facilities in an aggregate amount of approximately HK$66.2 million, of which approximately HK$24.9 million had been utilised and approximately HK$41.3 million remained unutilised and available for use as at 31 August 2015; (ii) approximately HK$27.0 million of the net proceeds will be raised from the issue of the new Shares under the Placing; (iii) the Group had cash and cash equivalents of approximately HK$14.8 million as at 31 August 2015, as compared to the audited cash and cash equivalents of approximately HK$0.8 million as at 31 March 2015; (iv) the subsequent settlement for trade and bills receivables up to the Latest Practicable Date amounted approximately HK$49.6 million, representing approximately 86.9% of the balance of trade and bills receivables as at 31 March 2015; and (v) the Group has implemented measures to closely monitor its cash flow and liquidity position on a monthly basis, the Directors are of the opinion, and the Sponsor concurs, that the Group would have sufficient working capital for its present requirements, for at least the next 12 months from the date of this prospectus.

DISTRIBUTABLE RESERVES

The Company was incorporated on 15 May 2015 and therefore no distributable reserves were available for distribution to the Shareholders as at 31 March 2015.

RELATED PARTY TRANSACTIONS

Please refer to the paragraph headed "Related party transactions" in note 37 of the notes to the Accountants' Report in Appendix I to this prospectus.

FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which comprise market risk (mainly interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the key management under the policies approved by the Board. The Group does not have written risk management policies. However, the Directors meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

Generally, the Group employs a conservative strategy regarding its financial risk management. As the Directors consider that the Group's exposure to financial risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The most significant risks to which the Group is exposed to are described below:

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to its trade and other receivables, including amounts due from related companies, related parties and directors and bank balances. The management of the Group has a credit policy in place and the exposures to credit risks are monitored on an ongoing basis.

In respect of trade receivables and other receivables, it is the Group's policy to deal only with creditworthy counterparties. In order to minimise credit risk, management has formulated a credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Normally, the Group does not obtain collateral from the counterparties.

In respect of cash and bank balances, pledged bank deposits and pledged deposits, the credit risk is limited because majority of the deposits are placed with reputable banks and financial institutions.

The Group provided guarantees in respect of the surety bonds issued in favour of several customers. As at 31 March 2014 and 2015, the maximum exposure to credit risk of guarantees issued by the Group was the value of the surety bonds of HK$4,191,000 and HK$11,446,000 respectively, which represented the maximum amount the Group could be required to pay if the guarantees were called on. The management of the Group considers that it is unlikely that the Group is unable to fulfill the performance requirements of the relevant contracts and accordingly, the Group's exposure to credit risk in this regard is low.

The credit policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank deposits, bank borrowings and finance lease liabilities. Borrowings arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

All of the Group's bank borrowings as at 31 March 2014 and 2015 bore interest at floating rates whereas its finance lease liabilities bear interest at fixed rates.

The Group's bank balances, including pledged bank deposits also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors of the Company consider the Group's exposure to interest rate risk in respect of bank balances is not significant due to low level of deposit interest rate.

The Group currently does not have an interest rate hedging policy. However, the management of the Group closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The following sensitivity analysis demonstrates the Group's exposure to a reasonable possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the end of each of the reporting periods (in practice, the results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(Decrease) in profit for the year and retained profits for the year ended 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
Changes in interest rate		
+1%	(107)	(183)
–1%	107	183

The changes in interest rates do not affect the Group's other component of equity. The above sensitivity analysis is prepared based on the assumption that the borrowing period of the bank borrowings outstanding at the end of each of the reporting periods resembles that of the corresponding financial years. The assumed changes in interest rate are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting period.

(c) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to foreign currency risk are primarily US$, British Pound ("**GBP**"), Euro ("**EUR**") and RMB. The management monitors foreign currency exposure of the Group and will consider undertaking foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on the Group's operating result.

The carrying amounts of the foreign currency denominated monetary assets and liabilities in net position as at 31 March 2014 and 2015 are as follows:

	As at 31 March	
	2014	2015
	HK$'000	*HK$'000*
Net monetary assets/(liabilities)		
RMB	3,231	2,767
EUR	(120)	(4,542)
GBP	(203)	(371)
US$	326	152

Sensitivity analysis

As HK$ is pegged to US$, exposure in respect of US$ is considered insignificant. The following tables illustrate the approximate change in the Group's profit for the year and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure, including RMB, EUR and GBP, at the end of each of the reporting periods.

	Increase/(Decrease) in profit for the year and retained profits for the year ended 31 March	
	2014	2015
	HK$'000	*HK$'000*
RMB appreciated by 1%	27	23
EUR appreciated by 5%	(5)	(190)
GBP appreciated by 1%	(2)	(3)

The changes in exchange rates do not affect the Group's other component of equity. The same percentage depreciation in the foreign currencies against the functional currency of the respective group companies would have the same magnitude on profit and retained profits but of opposite effect.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because exposure at the end of each of the reporting periods does not reflect the exposure during the respective years.

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group since prior years and is considered to have been effective in managing liquidity risks.

The following tables summarise the remaining contractual maturities of the Group's financial liabilities including bank loans with repayment on demand clause, based on undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates ruling at the end of the reporting period) and the earliest date the Group can be required to pay.

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

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2014					
Trade and other payables	24,209	24,209	24,209	—	—
Bank overdrafts	2,993	2,993	2,993	—	—
Bank loans subject to repayment demand clause	9,869	9,869	9,869	—	—
Obligation under finance leases	599	644	214	140	290
	37,670	37,715	37,285	140	290
Derivatives settled net:					
Foreign exchange forward contracts	41	41	41	—	—

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2015					
Trade and other payables	51,374	51,374	51,374	—	—
Amounts due to related parties	92	92	92	—	—
Bank overdrafts	5,014	5,014	5,014	—	—
Bank loans subject to repayment demand clause	16,876	16,876	16,876	—	—
Obligation under finance leases	897	941	320	288	333
	74,253	74,297	73,676	288	333
Derivatives settled net:					
Foreign exchange forward contracts	276	276	276	—	—

The following tables summarise the maturity analysis of the Group's bank loans (excluding bank overdrafts) with repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time banding in the maturity analysis contained above. Taking into account the Group's financial position, the Directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The Directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans subject to repayment demand clause						
As at 31 March 2014	9,869	10,702	4,741	1,401	2,197	2,363
As at 31 March 2015	16,876	17,568	13,008	942	1,752	1,866

Commodity price risk

The Group is exposed to commodity price risk that arises from price fluctuations of raw materials. In particular, aluminium constitutes the majority of raw materials used in the Group's design and build projects. During the Track Record Period, the costs of aluminium represented approximately 54.7% and 42.7% of the Group's total material and processing charges, respectively. The Group currently does not engage in any hedging activities to mitigate the risks relating to fluctuations in the price of aluminium because the Group will generally obtain preliminary quotations from the suppliers to have a more accurate estimation on the project costs. The Directors consider that the aluminium price fluctuations did not have a material adverse effect on the Group's business operation during the Track Record Period.

The price and availability of aluminium may vary from period to period due to various factors such as supply and demand of aluminium, and other market conditions. The following sensitivity analysis, with the hypothetical fluctuation rates set at 5% and 10%, illustrates the impact of hypothetical fluctuations in the price of aluminium on the Group's profits during the Track Record Period:

Hypothetical fluctuations in price of aluminium	**–5%**	**–10%**	**+5%**	**+10%**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase/(Decrease) in profit before tax				
Year ended 31 March 2014	1,989	3,978	(1,989)	(3,978)
Year ended 31 March 2015	1,547	3,094	(1,547)	(3,094)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2014	1,661	3,322	(1,661)	(3,322)
Year ended 31 March 2015	1,292	2,583	(1,292)	(2,583)

DIVIDEND POLICY

	For the year ended 31 March	
	2014	2015
	HK$'000	*HK$'000*
Dividends attributable to the year		
Interim dividends attributable to:		
— Owners of the Company	4,050	1,800
— Non-controlling interests	2,000	1,200
	6,050	3,000

No dividend has been paid or declared by the Company since its incorporation. The interim dividends for the years ended 31 March 2014 and 2015 amounting to HK$6,050,000 and HK$3,000,000 respectively represented interim dividends declared by certain group entities to their then shareholders.

In addition, the Group declared an interim dividend of HK$15.0 million to the then shareholders of the Group in September 2015. This dividend declared will be fully paid prior to the Listing Date and the Group will finance the payment of these dividends by offsetting the equivalent amounts in the relevant current accounts (including the amounts due from the Directors) in a sum of approximately HK$10.0 million, and the remaining amount of approximately HK$5.0 million by internal resources generated from the Group's business operation including cash and the receivables of the amounts due from customers of contract works subsequent to 31 March 2015. Taking into account of the Group's available financial resources and the net proceeds from the Placing, the Directors consider that there is no material adverse impact on the Group's financial and liquidity position arising out of the dividend payment.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful.

The Company currently does not have a fixed dividend policy and may declare dividends by way of cash or by other means that the Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of the Board and depend upon the following factors:

- the Group's financial results;
- the Group's shareholders' interests;
- general business conditions, strategies and future expansion needs;
- the Group's capital requirements;
- the payment by its subsidiaries of cash dividends to the Company;
- possible effects on liquidity and financial position of the Group; and
- other factors as the Board may consider relevant.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which could give rise to a disclosure obligation pursuant to Rules 17.15 to 17.21 of the GEM Listing Rules.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set out herein to provide the prospective investors with further illustrative financial information about how the Placing might have affected the combined net tangible assets of the Group attributable to owners of the Company after the completion of the Placing as if the Placing had taken place on 31 March 2015. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of the Group had the Placing been completed on 31 March 2015 or at any future dates.

The unaudited pro forma adjusted combined net tangible assets of the Group as at 31 March 2015 is based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2015 as shown in the Accountants' Report set out in Appendix I to this prospectus and the adjustments described below.

	Combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2015	Estimated net proceeds from the Placing	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted combined net tangible assets per Share
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on Placing Price of HK$0.30 per Placing Share	59,895	29,903	89,798	0.15

Notes:

1. The combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2015 are based on audited combined net assets of the Group attributable to owners of the Company as at 31 March 2015 of HK$59,895,000 as shown in the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Placing are based on 150,000,000 Placing Shares and the Placing Price of HK$0.30 per Placing Share after deduction of the underwriting fees and related expenses payable by the Company which has not been reflected in combined net tangible assets of the Group as at 31 March 2015. No account has been taken of any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.

3. The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 600,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue, but takes no account of any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus.

4. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company and the unaudited pro forma adjusted combined net tangible assets per Share have not taken into account the interim dividends declared subsequent to 31 March 2015. In September 2015, the directors of certain subsidiaries declared interim dividends amounting to HK$15,000,000 in aggregate, of which HK$12,600,000 was attributable to the owners of the Company whereas HK$2,400,000 was attributable to the non-controlling interests. The dividend will be settled prior to the Listing Date by (i) offsetting amounts in the relevant current accounts amounting to approximately HK$10 million; and (ii) cash payment of approximately HK$5 million. The unaudited pro forma adjusted combined net tangible assets per Share would have been reduced to HK$0.13 per Share based on Placing Price of HK$0.30 per Placing Share after taking into account the dividend attributable to owners of the Company in the sum of HK$12,600,000.

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