The following is the text of a report, prepared for the sole purpose of inclusion in this [REDACTED], received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.

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30 September 2015

The Directors
KPa-BM Holdings Limited
Messis Capital Limited

Dear Sirs,

We set out below our report on the financial information of KPa-BM Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") which comprises the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the two years ended 31 March 2014 and 2015 (the "Relevant Periods") and the combined statements of financial position of the Group as at 31 March 2014 and 2015 together with a summary of significant accounting policies and other explanatory notes (the "Financial Information"), for inclusion in the [REDACTED] of the Company dated 30 September 2015 (the "[REDACTED]") in connection with the initial [REDACTED] (the "[REDACTED]") of the shares of the Company on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 15 May 2015. Pursuant to a group reorganisation (the "Reorganisation") as more fully explained in note 2 to the Financial Information, the Company has since 22 September 2015 become the holding company of the subsidiaries now comprising the Group. The Company has not carried on any business since the date of its incorporation saved for the Reorganisation.

The Group is principally engaged in (i) the provision of structural engineering works for the public and private sectors in Hong Kong; and (ii) trading of building material products. As of the date of this report, the particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid up capital	Effective interest held by the Company		Principal activities
				Directly	Indirectly	
Light Dimension Limited ("Light Dimension")	The British Virgin Islands ("BVI")/ 20 May 2015/ Limited liability company	Hong Kong	16 shares of United States dollars ("US$") 1 each	100%	—	Investment holding

Name of subsidiary	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid up capital	Effective interest held by the Company		Principal activities
				Directly	Indirectly	
AcouSystem Limited ("AcouSystem")	Hong Kong/ 17 November 2014/ Limited liability company	Hong Kong	300 shares of HK$300	—	100%	Trademark holding
BuildMax Limited ("BuildMax (HK)")	Hong Kong/ 15 August 2001/ Limited liability company	Hong Kong	50,000 shares of HK$50,000	—	100% *(note (a))*	Provision of structural engineering works and trading of building material products
KPa Contracting Limited ("KPa Contracting")	Hong Kong/ 25 August 2014/ Limited liability company	Hong Kong	300 shares of HK$300	—	100%	Provision of structural engineering works
KPa Engineering Limited ("KPa Engineering")	Hong Kong/ 12 December 1991/ Limited liability company	Hong Kong	3,000,000 shares of HK$3,000,000	—	100%	Provision of structural engineering works and trading of building material products
KPa Engineering (HK) Limited ("KPa (HK)")	Hong Kong/ 8 August 2014/ Limited liability company	Hong Kong	300 shares of HK$300	—	100%	Provision of structural engineering works and trading of building material products
應力恒富設計貿易(深圳)有限公司 ("KPa (SZ)")	The People's Republic of China ("PRC")/ 2 March 2015/ Wholly foreign-owned enterprise	PRC	HK$500,000 *(note (b))*	—	100%	Provision of fabrication drawing
Youkang Limited ("Youkang")	The BVI 29 May 2015/ Limited liability company	Hong Kong	10 shares of US$1 each	—	100%	Investment holding
Sun Pool Engineering Limited ("Sun Pool")	Hong Kong/ 28 February 1991/ Limited liability company	Hong Kong	150,000 shares of HK$150,000	—	100%	Provision of management services, property investment and investment holding

Notes:

(a) Throughout the Relevant Periods, Sun Pool held 60% of the equity interest of BuildMax (HK). Upon acquisition of the remaining 40% equity interest of BuildMax (HK) by Sun Pool from the non-controlling shareholders on 14 September 2015 as part of the Reorganisation as disclosed in note 2 below, Sun Pool's equity interest in BuildMax (HK) increased from 60% to 100%.

(b) KPa (SZ) was incorporated in the PRC on 2 March 2015 and has a registered capital of HK$1,000,000. The Group injected capital amounting to HK$500,000 to KPa (SZ) by 4 May 2015 and the remaining capital of HK$500,000 has to be paid up or before 2 March 2018.

The Company and all of the above subsidiaries have adopted 31 March as their financial year end date except for KPa (SZ), which has adopted 31 December as its financial year end date.

No audited financial statements have been prepared for the Company as it is newly incorporated and has not been involved in any significant business transactions except for the Reorganisation.

No audited financial statements have been prepared for Light Dimension and Youkang since they are not subject to any statutory audit requirements under their jurisdiction of incorporation.

The statutory financial statements of KPa Engineering, BuildMax (HK) and Sun Pool for the years ended 31 March 2014 and 2015 as well as the statutory financial statements of AcouSystem, KPa Contracting and KPa (HK) from their respective dates of incorporation to 31 March 2015 were audited by BDO Limited, certified public accountants. These statutory financial statements were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

No audited financial statements have been prepared for KPa (SZ) since its date of incorporation.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with the basis of presentation set out in note 2 to the Financial Information below and the accounting policies set out in note 3 to the Financial Information below which conform to HKFRSs issued by the HKICPA. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA pursuant to separate terms of engagement with the Company.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustment made thereon.

RESPONSIBILITY

The directors of the Company are responsible for the contents of the [REDACTED] including the preparation and true and fair presentation of the Financial Information in accordance with the basis of presentation set out in note 2 to the Financial Information below and the accounting policies set out in note 3 to the Financial Information below and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Financial Information based on our examination and to report our opinion to you.

BASIS OF OPINION

For the purpose of this report, we have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. For the purpose of this report, no adjustment to the Financial Information is considered necessary.

OPINION

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis of presentation set out in note 2 to the Financial Information below and in accordance with the accounting policies set out in note 3 to the Financial Information below, gives a true and fair view of the state of affairs of the Group as at 31 March 2014 and 2015 and of the results and cash flows of the Group for the Relevant Periods.

I. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

	Notes	Year ended 31 March 2014	Year ended 31 March 2015
		HK$'000	*HK$'000*
Revenue	7	205,285	197,435
Cost of revenue		(176,391)	(158,702)
Gross profit		28,894	38,733
Other income and gains	8	489	351
Marketing and distribution expenses		(621)	(1,221)
Administrative and other operating expenses		(15,913)	(19,036)
Finance costs	10	(620)	(767)
Profit before income tax	9	12,229	18,060
Income tax expense	11	(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
		HK cents	HK cents
Earnings per share			
Basic and diluted earnings per share	14	2.16	2.65

Combined Statements of Financial Position

	Notes	As at 31 March 2014	2015
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment	15	6,431	7,096
Pledged deposits	22	—	3,900
		6,431	10,996
Current assets			
Inventories	16	2,547	3,309
Amounts due from customers of contract works	17	9,678	26,354
Trade and other receivables, deposits and prepayments	18	50,329	82,100
Amounts due from related companies	19	6,755	6,362
Amounts due from related parties	20	930	—
Amounts due from directors	21	1,965	2,493
Tax recoverable		938	8
Pledged deposits	22	1,500	—
Pledged bank deposits	23	7,589	10,027
Cash and bank balances	24	10,485	5,791
		92,716	136,444
Current liabilities			
Amounts due to customers of contract works	17	4,353	4,037
Trade and other payables	25	24,986	51,888
Derivative financial instruments	26	41	276
Amounts due to related parties	20	—	92
Tax payable		1,121	1,615
Bank borrowings	27	12,862	21,890
Obligation under finance leases	28	191	279
		43,554	80,077
Net current assets		49,162	56,367
Total assets less current liabilities		55,593	67,363
Non-current liabilities			
Obligation under finance leases	28	408	618
Net assets		55,185	66,745
Capital and reserves			
Share capital	29	3,150	3,151
Reserves	30	46,623	56,744
Equity attributable to owners of the Company		49,773	59,895
Non-controlling interests	31	5,412	6,850
Total equity		55,185	66,745

Combined Statements of Changes in Equity

	Equity attributable to owners of the Company					
	Share capital	Merger reserve*	Retained profits*	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2013	3,150	(850)	41,796	44,096	6,954	51,050
Profit for the year	—	—	9,727	9,727	458	10,185
Other comprehensive income for the year	—	—	—	—	—	—
Total comprehensive income for the year	—	—	9,727	9,727	458	10,185
Transactions with owners:						
Dividends declared *(note 13)*	—	—	(4,050)	(4,050)	—	(4,050)
Dividends paid to non-controlling interests *(note 13)*	—	—	—	—	(2,000)	(2,000)
	—	—	(4,050)	(4,050)	(2,000)	(6,050)
At 31 March 2014 and 1 April 2014	3,150	(850)	47,473	49,773	5,412	55,185
Profit for the year	—	—	11,921	11,921	2,638	14,559
Other comprehensive income for the year	—	—	—	—	—	—
Total comprehensive income for the year	—	—	11,921	11,921	2,638	14,559
Transactions with owners:						
Issue of shares *(note 29)*	1	—	—	1	—	1
Dividends declared *(note 13)*	—	—	(1,800)	(1,800)	—	(1,800)
Dividends attributable to non-controlling interests *(note 13)*	—	—	—	—	(1,200)	(1,200)
	1	—	(1,800)	(1,799)	(1,200)	(2,999)
At 31 March 2015	3,151	(850)	57,594	59,895	6,850	66,745

* *The total of these equity accounts as at 31 March 2014 and 2015 represent "reserves" in the combined statements of financial position*

Combined Statements of Cash Flows

	Year ended 31 March	
	2014	2015
	HK$'000	*HK$'000*
Operating activities		
Profit before income tax	12,229	18,060
Adjustments for:		
Depreciation on property, plant and equipment	936	882
Bad debt written off	35	—
Provision for impairment of trade and bills receivables	566	99
Provision for impairment of retention receivables	187	107
Allowance for inventories	11	98
Write-off of inventories	37	29
Change in fair value of derivative financial instruments	41	235
Gain on disposal of property, plant and equipment	(124)	(240)
Bank interest income	(39)	(53)
Finance costs	620	767
Operating profit before working capital changes	14,499	19,984
Increase in inventories	(515)	(889)
Decrease/(Increase) in amounts due from customers of contract works	10,400	(16,676)
Decrease/(Increase) in trade and other receivables, deposits and prepayments	20,576	(31,618)
Decrease in amounts due to customers of contract works	(12,754)	(316)
(Decrease)/Increase in trade and other payables	(12,967)	26,543
Increase in pledged deposits	—	(2,400)
Cash generated from/(used in) operations	19,239	(5,372)
Interest paid on bank borrowings	(597)	(726)
Interest element of finance lease payment	(23)	(41)
Interest received	39	53
Income tax paid, net	(1,471)	(2,077)
Net cash from/(used in) operating activities	17,187	(8,163)
Investing activities		
Decrease/(Increase) in pledged bank deposits	2	(2,438)
Purchase of property, plant and equipment	(335)	(829)
Proceeds from disposal of property, plant and equipment	125	121
Increase in amounts due from directors	(4,120)	(1,127)
(Increase)/Decrease in amounts due from related companies	(2,828)	393
(Increase)/Decrease in amounts due from related parties	(270)	530
Net cash used in investing activities	(7,426)	(3,350)

	Year ended 31 March	
	2014	2015
	HK$'000	*HK$'000*
Financing activities		
Dividends paid *(note 36(c))*	—	(1,200)
Dividends paid to non-controlling interests *(note 36(d))*	(2,000)	(800)
Proceeds from new bank borrowings	21,453	27,935
Repayments of bank borrowings	(25,761)	(20,928)
Capital element of finance lease payment	(151)	(301)
Increase in amounts due to related parties	—	92
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

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 May 2015. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at 4th Floor, Henry Centre, 131 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong.

The Group is principally engaged in (i) the provision of structural engineering works for the public and private sectors in Hong Kong; and (ii) trading of building material products.

2. REORGANISATION AND BASIS OF PRESENTATION

Prior to the Reorganisation, all entities which took part in the Reorganisation were collectively controlled by Mr. Lui Bun Yuen, Danny ("Mr. Lui"), Mr. Wai Yat Kin ("Mr. Wai") and Mr. Yip Pak Hung ("Mr. Yip"). Mr. Lui, Mr. Wai and Mr. Yip are collectively referred to as the "Controlling Shareholders".

Pursuant to the Reorganisation conducted by the companies now comprising the Group to prepare for the [REDACTED], the Company has since 22 September 2015 become the holding company of its subsidiaries now comprising the Group. Part of the steps under the Reorganisation are described below:

(1) The Company was incorporated in the Cayman Islands on 15 May 2015. The initial authorised share capital of the Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Upon incorporation, one nil paid subscriber share was allotted and issued to the subscriber, which was transferred to Success Wing Investments Limited ("Success Wing") on 21 May 2015. Success Wing is a company incorporated in the BVI and the issued share capital of Success Wing was 720 shares of US$1 each, of which (i) 240 shares were held by Mr. Lui, (ii) 240 shares were held by Mr. Wai and (iii) 240 shares were held by Mr. Yip.

(2) Light Dimension was incorporated in the BVI on 20 May 2015 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On 11 June 2015, one subscriber share was allotted and issued to each of Mr. Lui, Mr. Wai and Mr. Yip and credited as fully paid at par.

(3) Youkang was incorporated in the BVI on 29 May 2015 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On 11 June 2015, three shares were allotted and issued to Light Dimension and credited as fully paid at par. Upon completion of the allotment and issue, Youkang becomes a wholly-owned subsidiary of Light Dimension.

(4) On 30 June 2015, Ms. Lam Suk Lan, Bonnie ("Ms. Lam"), the spouse of Mr. Yip and holding 50,000 shares of Sun Pool in trust and on behalf of Mr. Yip, transferred 50,000 shares of Sun Pool to Mr. Yip at a consideration of HK$995,230.

(5) On 3 July 2015, Light Dimension acquired (i) 833,333 shares of KPa Engineering from Mr. Lui and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Lui; (ii) 833,333 shares of KPa Engineering from Mr. Wai and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Wai; (iii) 833,333 shares of KPa Engineering from Mr. Yip and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Yip; and (iv) 500,001 shares of KPa Engineering from Sun Pool and in consideration of the acquisition and at the direction of Sun Pool, Light Dimension allotted and issued one share to Mr. Lui, Mr. Wai and Mr. Yip jointly. Upon the acquisitions, KPa Engineering becomes a wholly-owned subsidiary of Light Dimension.

(6) On 3 July 2015, Light Dimension acquired (i) 100 shares of KPa Contracting from Mr. Lui and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Lui; (ii) 100 shares of KPa Contracting from Mr. Wai and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Wai; and (iii) 100 shares of KPa Contracting from Mr. Yip and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Yip. Upon the acquisitions, KPa Contracting becomes a wholly-owned subsidiary of Light Dimension.

(7) On 3 July 2015, Light Dimension acquired (i) 100 shares of KPa (HK) from Mr. Lui and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Lui; (ii) 100 shares of KPa (HK) from Mr. Wai and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Wai; and (iii) 100 shares of KPa (HK) from Mr. Yip and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Yip. Upon the acquisitions, KPa (HK) becomes a wholly-owned subsidiary of Light Dimension.

(8) On 3 July 2015, Light Dimension acquired (i) 100 shares of AcouSystem from Mr. Lui and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Lui; (ii) 100 shares of AcouSystem from Mr. Wai and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Wai; and (iii) 100 shares of AcouSystem from Mr. Yip and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Yip. Upon the acquisitions, AcouSystem becomes a wholly-owned subsidiary of Light Dimension.

(9) On 17 August 2015, Youkang acquired (i) 50,000 shares of Sun Pool from Mr. Lui and in consideration of the acquisition and at the direction of Mr. Lui, Youkang allotted and issued one share, credited as fully paid at par, to Light Dimension; (ii) 50,000 shares of Sun Pool from Mr. Wai and in consideration of the acquisition and at the direction of Mr. Wai, Youkang allotted and issued one share, credited as fully paid at par, to Light Dimension; and (iii) 50,000 shares of Sun Pool from Mr. Yip and in consideration of the acquisition and at the direction of Mr. Yip, Youkang allotted and issued one share, credited as fully paid at par, to Light Dimension. Upon the acquisitions, Sun Pool becomes a wholly-owned subsidiary of Youkang.

(10) On 14 September 2015, Sun Pool acquired (i) 15,000 shares of BuildMax (HK) from Mr. Liu Yuen Wai ("Mr. Liu") and in consideration of the acquisition and at the direction of Mr. Liu, Sun Pool procured Youkang to allot and issue three shares, credited as fully paid at par, to Mr. Liu; and (ii) 5,000 shares of BuildMax (HK) from Mr. Chan Chi Ming ("Mr. Chan") and in consideration of the acquisition and at the direction of Mr. Chan, Sun Pool procured Youkang to allot and issue one share, credited as fully paid at par, to Mr. Chan. Prior to the acquisitions, Mr. Liu and Mr. Chan were the non-controlling shareholders of BuildMax (HK) and the issued share capital of BuildMax (HK) was held as to 30% by Mr. Liu and 10% by Mr. Chan. Upon completion of the acquisitions, Sun Pool's equity interest in BuildMax (HK) increased from 60% to 100% and BuildMax (HK) becomes a wholly-owned subsidiary of Sun Pool.

(11) On 22 September 2015, Mr. Lui, Mr. Wai and Mr. Yip entered into a reorganisation agreement and pursuant to which the Company acquired the entire issued share capital of Light Dimension and in consideration, the Company allotted and issued (i) six shares to Mr. Lui; (ii) six shares to Mr. Wai; (iii) six shares to Mr. Yip; and (iv) 81 shares to Success Wing. In addition, the Company credited the one nil paid share held by Success Wing referred to in step (1) above as fully paid. Upon completion of the acquisition, Light Dimension becomes a wholly-owned subsidiary of the Company.

(12) On 22 September 2015, Light Dimension acquired (i) three shares of Youkang from Mr. Liu and in consideration of the acquisition, Light Dimension procured Success Wing to allot and issue 74 shares, credited as fully paid, to Mr. Liu; and (ii) one share of Youkang from Mr. Chan and in consideration of the acquisition, Light Dimension procured Success Wing to allot and issue 26 shares, credited as fully paid, to Mr. Chan. Upon completion of the acquisitions, Youkang becomes a wholly-owned subsidiary of Light Dimension.

Upon completion of the aforementioned steps of the Reorganisation, the issued share capital of the Company was held as to (i) 6% by Mr. Lui; (ii) 6% by Mr. Wai; (iii) 6% by Mr. Yip; and (iv) 82% by Success Wing, whereas the issued share capital of Success Wing was held as to (i) 29.27% by Mr. Lui; (ii) 29.27% by Mr. Wai; (iii) 29.27% by Mr. Yip; (iv) 9.02% by Mr. Liu and (v) 3.17% by Mr. Chan.

The Company and its subsidiaries now comprising the Group have been both before and after the Reorganisation under the common control of the Controlling Shareholders. A contractual arrangement existed among the Controlling Shareholders to manage the business and operations of the Group on a collective basis. The Controlling Shareholders have made collective decisions in respect of the financing and operating activities that significantly affect the Group's returns. Accordingly, the Controlling Shareholders are regarded as the controlling parties of the Group throughout the Relevant Periods.

The Group is regarded as a continuing entity since all entities which took part in the Reorganisation were controlled by the same ultimate controlling parties, i.e. the Controlling Shareholders, before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the ultimate controlling parties that existed prior to the Reorganisation. Accordingly, the Reorganisation has been accounted for in accordance with Hong Kong Accounting Guideline 5 *Merger Accounting for Common Control Combinations* and the Financial Information has been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the Relevant Periods.

The combined statements of comprehensive income and combined statements of cash flows of the Group for the Relevant Periods include the results and cash flows of the companies now comprising the Group as if the current structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation, whichever was shorter. 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 now 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 combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Financial Information has been prepared in accordance with the basis of presentation set out in note 2 and the accounting policies set out below, which conform to HKFRSs (which collective term includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA. The Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The HKICPA has issued a number of new or revised HKFRSs which are relevant to the Group and become effective during the Relevant Periods. In preparing this Financial Information, the Group has adopted all these new or revised HKFRSs throughout the Relevant Periods.

At the date of this report, certain new or revised HKFRSs have been issued by the HKICPA but are not yet effective and have not been adopted early by the Group. Details of which are set out in note 4.

The Financial Information have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out below.

The Financial Information are presented in Hong Kong dollars ("HK$"), which is same as the functional currency of the Company and its major subsidiaries.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and actions, actual results may ultimately different from those estimates and assumptions. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 5.

(b) Basis of combination

The Financial Information incorporates the financial statements of the Company and its subsidiaries comprising the Group for the Relevant Periods. As explained in note 2 above, the Reorganisation is accounted for using merger basis of accounting.

Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the combined financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(c) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

(d) 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 (note 3(n)).

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.

(e) 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.

(f) Financial instruments

(i) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivative, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors) and also incorporated other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty; and

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of loans and receivables is reduced through the use of an allowance account. The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realised or has been transferred to the Group.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) ***Financial liabilities***

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, amounts due to related parties, bank borrowings and obligation under finance leases are subsequently measured at amortised cost, using the effective interest method. The related interest expense is accounted for in accordance with the accounting policy as set out in note 3(o).

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) ***Equity instruments***

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) ***Financial guarantee contracts***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

(vii) ***Derecognition***

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(g) 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 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 (note 3(h)).

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

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

(h) Construction contracts

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 materials, direct labour and sub-contractors' fees. 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 sub-contractors 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.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of presentation in the combined statements of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(j) 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.

(k) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(l) 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 differences 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 re-translation of non-monetary items in respect of which gains 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.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the period when the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(ii) Defined contribution retirement plan

Retirement benefits to employees are provided through defined contribution plans. The Group operates a defined contribution retirement benefit scheme (the ''MPF Scheme'') under the Mandatory Provident Fund Schemes Ordinance, for all its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income.

Contributions are recognised as an expense in profit or loss when the services are rendered by the employees. The Group's obligations under these plans are limited to the fixed percentage contribution payable.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(n) Impairment of non-financial assets

Property, plant and equipment are subject to impairment testing. They are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's or cash-generating unit's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises.

(o) Borrowings costs

Borrowings costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowings costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) 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.

(q) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

(r) 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.

4. NEW OR REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

The following new or revised HKFRSs have been issued, but are not yet effective and have not been early adopted by the Group in the preparation of the Financial Information.

HKFRSs (Amendments)	Annual Improvements 2010 – 2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011 – 2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012 – 2014 Cycle[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contribution[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 9 (2014)	Financial Instruments[5]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[4]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2018

The directors of the Company anticipate that all of the pronouncements will be adopted by the Group for the first period beginning after the effective date of the pronouncement. The directors of the Company are currently assessing the possible impact of these new or revised standards on the Group's results and financial position in the first year of application. Those new or revised HKFRSs that is expected to have material impact on the Group's financial statements are set out below.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company 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.

Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(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. 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, management 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. 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 in the financial statements.

(ii) ***Useful lives of property, plant and equipment***

Management 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. Management will increase the depreciation where useful lives are less than previously estimated lives. Management 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***

Management 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***

Management 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. Management 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. Management 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.

For more detailed information in relation to the fair value measurement of these financial instruments, please refer to note 39.

6. SEGMENT INFORMATION

(a) Operating segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-marker, i.e. executive directors of the Company who are used to make strategic decisions.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

— Structural engineering works — This segment mainly engages in the provision of structural engineering works for public and private sectors in Hong Kong and the Group mainly acts as a subcontractor.

— Trading of building material products — This segment engages in the sales of building material products in Hong Kong, the PRC (other than Hong Kong) and overseas.

Revenue and costs/expenses are allocated to the reportable segments with reference to sales generated by those segments and the costs/expenses incurred by those segments. Segment revenue represents revenue from external customers and there were no inter-segment sales between operating segments for the years ended 31 March 2014 and 2015. Corporate income and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit or loss that is used by the chief operating decision-marker for assessment of segment performance.

Segment assets include all assets with the exception of tax assets and corporate assets, including pledged bank deposits, cash and bank balances, derivative financial instruments and other assets that are not directly attributable to the business activities of the operating segments as these assets are managed on a group basis.

Information of the operating segments of the Group reported to the chief operating decision-maker for the purposes of resources allocation and performance assessment does not include liabilities. Accordingly, no information of segment liabilities is presented.

Segment results, segment assets and other segment information

Information regarding the Group's reporting segments including the reportable segment revenue, segment profit, segment assets, reconciliation to revenue, profit before income tax, total assets and other segment information are as follows:

	Structural engineering works	Trading of building material products	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 March 2014			
Segment revenue			
Sales to external customers	199,542	5,743	205,285
Segment profit	26,091	2,015	28,106
Corporate and unallocated income			489
Corporate and unallocated expenses			(16,366)
Profit before income tax			12,229
Year ended 31 March 2015			
Segment revenue			
Sales to external customers	183,913	13,522	197,435
Segment profit	33,361	5,166	38,527
Corporate and unallocated income			351
Corporate and unallocated expenses			(20,818)
Profit before income tax			18,060

	Structural engineering works	Trading of building material products	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 31 March 2014			
Segment assets	59,956	3,475	63,431
Tax assets			938
Other corporate assets			34,778
Total combined assets			99,147
As at 31 March 2015			
Segment assets	110,227	4,129	114,356
Tax assets			8
Other corporate assets			33,076
Total combined assets			147,440

	Structural engineering works	Trading of building material products	Corporate/ Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2014				
Other information				
Interest income	—	—	39	39
Interest expense on bank borrowings	—	—	597	597
Interest element of finance lease payments	—	—	23	23
Depreciation	—	—	936	936
Impairment loss on loans and receivables	783	5	—	788
Impairment loss on inventories	—	48	—	48
Additions to specified non-current assets#	—	—	830	830
Year ended 31 March 2015				
Other information				
Interest income	—	—	53	53
Interest expense on bank borrowings	—	—	726	726
Interest element of finance lease payments	—	—	41	41
Depreciation	—	—	882	882
Impairment loss on loans and receivables	206	—	—	206
Impairment loss on inventories	—	127	—	127
Additions to specified non-current assets#	—	—	1,558	1,558

Specified non-current assets include all non-current assets but exclude financial instruments

(b) Geographical segment information

The Company is an investment holding company and the principal place of the Group's operations are in Hong Kong. Accordingly, management determines that the Group is domiciled in Hong Kong.

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

	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 specified non-current assets are located in Hong Kong.

(c) Information about major customers

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

	Year ended 31 March	
	2014	2015
	HK$'000	*HK$'000*
Customer I	29,166	98,602
Customer II	62,323	27,129
Customer III	37,311	N/A
Customer IV	24,028	N/A

7. REVENUE

The Group is principally engaged in (i) the provision of structural engineering works for the public and private sectors in Hong Kong; and (ii) trading of building material products. Revenue derived from these principal activities comprises the followings:

	Year ended 31 March	
	2014	2015
	HK$'000	*HK$'000*
Revenue from rendering structural engineering works	199,542	183,913
Revenue from trading of building material products	5,743	13,522
	205,285	197,435

8. OTHER INCOME AND GAINS

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

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting) the following:

	Year ended 31 March	
	2014	2015
	HK$'000	*HK$'000*
Auditor's remuneration	190	190
Bad debt written off	35	—
Provision for impairment of trade and bills receivables	566	99
Provision for impairment of retention receivables	187	107
Cost of inventories recognised as expense		
— Carrying amount of inventories consumed	72,752	72,493
— Allowance for inventories	11	98
— Write-off of inventories	37	29
	72,800	72,620
Change in fair value of derivative financial instruments	41	247
Depreciation in respect of:		
— Owned assets	755	488
— Leased assets	181	394
	936	882
Employee benefit expenses (including directors' emoluments *(note 12(a))*		
— Salaries, allowances and other benefits *(note (b))*	22,245	23,750
— Contribution to defined contribution retirement plan *(note (a))*	732	844
	22,977	24,594
Exchange (gain)/loss, net	(91)	76
[REDACTED] expenses	—	[REDACTED]
Operating lease charges in respect of:		
— Land and buildings *(note (b))*	1,130	1,278
— Office equipment	162	210

Notes:

(a) In respect of the Group's contribution to defined contribution retirement plan, no contribution is available for reducing the Group's existing level of contribution for the years ended 31 March 2014 and 2015.

(b) Operating lease charges in respect of the director's quarter of HK$348,000 and HK$348,000 for the years ended 31 March 2014 and 2015 are also included in employee benefit expenses for disclosure purpose.

10. FINANCE COSTS

	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.

11. INCOME TAX EXPENSE

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

	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 Relevant Periods.

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

	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 in the Financial Information as there were no material temporary differences as at 31 March 2014 and 2015.

12. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of each of the directors for the Relevant Periods are set out below:

	Fees	Salaries, allowances and other benefits	Discretionary bonuses	Pension scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2014					
Executive Directors					
Mr. Lui	—	1,185	155	15	1,355
Mr. Wai	—	1,577	207	15	1,799
Mr. Yip	—	1,233	164	15	1,412
Total	—	3,995	526	45	4,566

	Fees	Salaries, allowances and other benefits	Discretionary bonuses	Pension scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2015					
Executive Directors					
Mr. Lui	—	1,032	—	19	1,051
Mr. Wai	—	1,522	—	19	1,541
Mr. Yip	—	1,092	—	19	1,111
Total	—	3,646	—	57	3,703

No emoluments were paid or payable to the independent non-executive directors during the Relevant Periods.

Included in other emoluments for the years ended 31 March 2014 and 2015 were rental charges amounting to HK$348,000 and HK$348,000 respectively, paid or payable to the lessor which is a related company in which one of the Company's directors has equity interest and control (note 37(a)).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during each of the Relevant Periods included 3 directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 highest paid individuals are as follows:

	Year ended 31 March	
	2014	2015
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	1,680	1,498
Contribution to pension scheme	30	53
	1,710	1,551

The emoluments of each of the above non-director highest paid individuals during the Relevant Periods were all within the band of nil to HK$1,000,000.

(c) During the Relevant Periods, no emoluments were paid by the Group to the directors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the Relevant Periods.

(d) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	Year ended 31 March	
	2014	**2015**
	No. of individuals	*No. of individuals*
Nil to HK$1,000,000	3	3

13. DIVIDENDS

	Year ended 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
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. For the purpose of this Financial Information, 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 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 owners of the Company whereas HK$2,400,000 was attributable to the non-controlling interests. The interim dividend declared subsequent to 31 March 2015 has not been recognised as a liability as at 31 March 2015 in the Financial Information.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this Financial Information.

14. EARNINGS PER SHARE

The calculations of earnings per share for the Relevant Periods are based on the profit for the years ended 31 March 2014 and 2015 attributable to owners of the Company of HK$9,727,000 and HK$11,921,000 respectively, and on the basis of [REDACTED] shares of the Company in issue, being the number of shares in issue immediately after the completion of Capitalisation Issue as further described in note 41(b), as if these shares had been issued throughout the Relevant Periods.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2013							
Cost	7,388	186	2,175	1,056	1,303	2,187	14,295
Accumulated depreciation	(1,861)	(186)	(1,875)	(951)	(1,155)	(1,729)	(7,757)
Net carrying amount	5,527	—	300	105	148	458	6,538
Year ended 31 March 2014							
Opening net book amount	5,527	—	300	105	148	458	6,538
Additions	—	—	10	125	139	556	830
Disposals	—	—	—	(1)	—	—	(1)
Depreciation	(168)	—	(193)	(94)	(123)	(358)	(936)
Closing net carrying amount	5,359	—	117	135	164	656	6,431
At 31 March 2014							
Cost	7,388	186	2,185	1,175	1,437	2,213	14,584
Accumulated depreciation	(2,029)	(186)	(2,068)	(1,040)	(1,273)	(1,557)	(8,153)
Net carrying amount	5,359	—	117	135	164	656	6,431
Year ended 31 March 2015							
Opening net book amount	5,359	—	117	135	164	656	6,431
Additions	—	—	128	122	184	1,124	1,558
Disposals	—	—	—	(11)	—	—	(11)
Depreciation	(168)	—	(138)	(63)	(101)	(412)	(882)
Closing net carrying amount	5,191	—	107	183	247	1,368	7,096
At 31 March 2015							
Cost	7,388	186	2,313	1,241	1,621	2,481	15,230
Accumulated depreciation	(2,197)	(186)	(2,206)	(1,058)	(1,374)	(1,113)	(8,134)
Net carrying amount	5,191	—	107	183	247	1,368	7,096

Notes:

(a) The Group's leasehold land and buildings included in property, plant and equipment as at 31 March 2014 and 2015 represent industrial units and a carpark situated in Hong Kong and are held under medium-term leases.

(b) The Group has pledged its leasehold land and buildings with net carrying amount of HK$4,069,000 and HK$5,191,000 as at 31 March 2014 and 2015 respectively to secure the bank borrowings granted to the Group by banks (note 27).

(c) The net carrying amount of the Group's property, plant and equipment included the following amounts in respect of assets held under finance leases (note 28):

	As at 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
Office equipment *(note)*	11	—
Motor vehicles	621	1,350
	632	1,350

Note: The office equipment acquired under finance lease was disposed of during the year ended 31 March 2015.

16. INVENTORIES

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

17. AMOUNTS DUE FROM/TO CUSTOMERS OF CONTRACT WORKS

	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

All amounts due from/to customers of contract works are expected to be recovered/settled within one year.

18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	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

Notes:

(a) The movements in the allowance for impairment of trade and bills receivables during the Relevant Periods 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 of the Relevant Periods 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 of the Relevant Periods is 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 Relevant Periods 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.

19. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies are as follows:

	As at 1 April 2013	As at 31 March 2014	Maximum outstanding amount during the year^
	HK$'000	*HK$'000*	*HK$'000*
BuildMax Technology (Shenzhen) Limited ("BuildMax (SZ)")	—	1,691	1,691
Hillford Trading Limited ("Hillford")	3,917	5,064	5,634
KPa Macau Limited	10	—	120
	3,927	6,755	

	As at 1 April 2014	As at 31 March 2015	Maximum outstanding amount during the year^
	HK$'000	*HK$'000*	*HK$'000*
BuildMax (SZ)	1,691	182	2,661
Hillford	5,064	6,180	9,397
	6,755	6,362	

^ These amounts represented the maximum amounts due from the related companies during the respective years.

Notes:

(a) The executive directors of the Company, Mr. Lui, Mr. Wai and Mr. Yip, have equity interests in BuildMax (SZ), Hillford and KPa Macau Limited.

(b) The amounts due are unsecured, interest free and repayable on demand.

20. AMOUNTS DUE FROM/(TO) RELATED PARTIES

The amounts due from/(to) related parties are as follows:

	As at 1 April 2013	As at 31 March 2014	Maximum outstanding amount during the year^
	HK$'000	*HK$'000*	*HK$'000*
Mr. Chan	—	108	108
Mr. Liu	660	822	1,048
	660	930	

	As at 1 April 2014	As at 31 March 2015	Maximum outstanding amount during the year^
	HK$'000	*HK$'000*	*HK$'000*
Mr. Chan	108	(23)	108
Mr. Liu	822	(69)	822
	930	(92)	

^ These amounts represented the maximum amounts due from the related parties during the respective years.

Notes:

(a) Mr. Chan and Mr. Liu are the non-controlling shareholders of BuildMax (HK) during the Relevant Periods and they are also the key management personnel of the Group.

(b) The amounts due are unsecured, interest free and repayable on demand.

21. AMOUNTS DUE FROM DIRECTORS

The amounts due from directors are as follows:

	As at 1 April 2013	As at 31 March 2014	Maximum outstanding amount during the year^
	HK$'000	*HK$'000*	*HK$'000*
Mr. Lui	356	231	1,081
Mr. Wai	352	1,117	1,117
Mr. Yip	1,187	617	1,687
	1,895	1,965	

	As at 1 April 2014	As at 31 March 2015	Maximum outstanding amount during the year^
	HK$'000	*HK$'000*	*HK$'000*
Mr. Lui	231	627	627
Mr. Wai	1,117	1,139	1,439
Mr. Yip	617	727	739
	1,965	2,493	

^ These amounts represented the maximum amounts due from the respective directors during the respective years.

The amounts due are unsecured, interest-free and repayable on demand.

22. PLEDGED DEPOSITS

Balances as at 31 March 2014 and 2015 of HK$1,500,000 and HK$3,900,000 respectively represent deposits placed by the Group with an insurance company as collaterals for the surety bonds issued in favour of the customers of certain construction contracts. The aggregate bond values as at 31 March 2014 and 2015 were HK$4,191,000 and HK$11,446,000 respectively. The surety bonds are required for the entire period of the relevant construction contracts. As at 31 March 2014 and 2015, the respective construction contracts are expected to be completed in year 2014 and 2017 respectively.

The Group and the directors of the Company, including Mr. Lui, Mr. Wai and Mr. Yip, have unconditionally and irrevocably agreed to indemnify the insurance company for claims and losses the insurance company may incur in respect of the bonds. The indemnity provided by Mr. Lui, Mr. Wai and Mr. Yip will be fully released, discharged or replaced by corporate guarantee or other securities provided by the Group upon the [REDACTED].

23. PLEDGED BANK DEPOSITS

Pledged bank deposits as at 31 March 2014 and 2015 are interest-bearing at fixed rates ranged from 0.25% to 0.65% per annum and 0.25% to 2.00% per annum respectively and have maturity period of one to three months and one to six months respectively. Among the pledged bank deposits as at 31 March 2014 and 2015, HK$3,268,000 and HK$3,296,000 respectively were denominated in Renminbi ("RMB") while the remaining balances of HK$4,321,000 and HK$6,731,000 respectively were denominated in HK$.

Pledged bank deposits were placed in banks to secure the bank borrowings and banking facilities of the Group (note 27).

24. CASH AND BANK BALANCES

Cash at banks earns interest at floating rate based on daily bank deposit rates.

25. TRADE AND OTHER PAYABLES

	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). These balances are unsecured, interest free and due for settlement within 30 days from invoice 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 Relevant Periods 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.

26. 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 was 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.

27. BANK BORROWINGS

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

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 2015 granted under banking facilities ranged from 2.97% to 6.50% and 2.58% to 6.25%, respectively per annum.

(b) The current liabilities as at 31 March 2014 and 2015 include bank loans of HK$5,365,000 and HK$4,121,000 respectively that are not scheduled to repay within one year after the end of the reporting periods. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.

(c) The Group's bank borrowings and banking facilities 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 2015 respectively (note 15);

— bank deposits of HK$7,589,000 and HK$10,027,000 as at 31 March 2014 and 2015 respectively (note 23); and

— personal guarantees executed by Mr. Lui, Mr. Wai and Mr. Yip, directors of the Company. The personal guarantees provided by Mr. Lui, Mr. Wai and Mr. Yip for the banking facilities existed at the date of this report will be fully released, discharged or replaced by corporate guarantees or other securities provided by the Group upon the [REDACTED].

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

As at 31 March 2014 and 2015, the Group's bank loans and overdrafts were scheduled to repay as of the end of each of the Relevant Periods as follows:

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

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

28. 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 leases 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

The present value of future lease payments are analysed as:

	As at 31 March	
	2014	2015
	HK$'000	*HK$'000*
Current liabilities	191	279
Non-current liabilities	408	618
	599	897

Notes:

(a) The Group's finance lease liabilities are subject to personal guarantees provided by Mr. Yip and Mr. Wai, directors of the Company.

(b) The effective interest rates of the Group's finance lease liabilities as at 31 March 2014 and 2015 ranged from 1.40% to 4.91% and 1.40% to 3.82% per annum respectively.

29. SHARE CAPITAL

The Company was incorporated on 15 May 2015 with authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. Upon incorporation, one nil paid subscriber share was allotted and issued to the subscriber, which was then transferred to Success Wing on 21 May 2015. On 22 September 2015, the Company allotted and issued 99 shares in aggregate to Mr. Lui, Mr. Wai, Mr. Yip and Success Wing which were credited as fully paid as consideration for the transfer of their shareholding interest in Light Dimension to the Company.

For the purpose of this Financial Information, the share capital balance in the combined statement of financial position as at 31 March 2014 represented the issued share capital of the KPa Engineering and Sun Pool as at that date whereas the share capital balance as at 31 March 2015 represented the issued share capital of KPa Engineering, Sun Pool, AcouSystem, KPa Contracting and KPa (HK) as at 31 March 2015.

For the year ended 31 March 2015, AcouSystem, KPa Contracting and KPa (HK) issued shares as follows:

— AcouSystem issued 300 ordinary shares in aggregate at HK$300 to Mr. Lui, Mr. Wai and Mr. Yip;

— KPa Contracting issued 300 ordinary shares in aggregate at HK$300 to Mr. Lui, Mr. Wai and Mr. Yip; and

— KPa (HK) issued 300 ordinary shares in aggregate at HK$300 to Mr. Lui, Mr. Wai and Mr. Yip.

30. RESERVES

Merger reserve was arising from combining the financial statements of the companies now comprising the Group.

31. NON-CONTROLLING INTERESTS

Throughout the Relevant Periods, the Group held 60% equity interest of BuildMax (HK), which has material non-controlling interests.

Summarised financial information of BuildMax (HK), before intra-group eliminations, is presented below:

	Year ended 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
Revenue	17,770	30,581
Profit for the year	1,144	6,596
Total comprehensive income for the year	1,144	6,596
Profit attributable to non-controlling interests	458	2,638
Dividend paid to non-controlling interests	2,000	800
Cash flows from operating activities	988	9,471
Cash flows from investing activities	1,113	(7,159)
Cash flows used in financing activities	(4,916)	(2,084)
Net cash (outflows)/inflows	(2,815)	228

	As at 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
Current assets	16,336	23,228
Non-current assets	1,326	1,285
Current liabilities	(4,132)	(7,388)
Net assets	13,530	17,125
Accumulated non-controlling interests	5,412	6,850

32. OPERATING LEASE COMMITMENTS

Operating leases — The Group as lessee

The Group leases office premises, car parks, warehouses, director's quarter and office equipment under operating lease arrangement. The leases run for an initial period of two to five years and are non-cancellable. The total future minimum lease payments under these leases are due as follows:

	As at 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
Within one year	1,086	493
Later than one year and not more than five years	1,056	549
	2,142	1,042

33. CAPITAL COMMITMENT

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

34. GUARANTEE

The Group provided guarantee in respect of the surety bonds issued in favour of the customers of certain construction contracts. Details of these guarantees as of the end of each of the Relevant Periods are as follows:

	As at 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
Aggregate value of the surety bonds issued in favour of customers *(note 22)*	4,191	11,446

As assessed by the directors, it is not probable that the insurance company would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group is unable to fulfill the performance requirements of the relevant contracts. Accordingly, no provision for the Group's obligations under the guarantees has been made.

35. LITIGATIONS

During the Relevant Periods, a number of lawsuits and claims arising from the normal course of business were lodged against the Group which remain outstanding as of the end of each Relevant Periods. 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.

36. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) For the years ended 31 March 2014 and 2015, the Group entered into finance lease arrangements in respect of acquisition of motor vehicles with an aggregate capital value at the inception of the leases of HK$495,000 and HK$599,000 respectively.

(b) For the year ended 31 March 2015, the Group traded-in a fully depreciated motor vehicle at HK$130,000 to settle part of the purchase price of a newly acquired motor vehicle.

(c) For the year ended 31 March 2014, the dividend declared by Sun Pool amounting to HK$4,050,000 was credited to the current accounts with the directors of the Company. For the year ended 31 March 2015, out of the dividend declared by Sun Pool amounting to HK$1,800,000, HK$1,200,000 was settled by cash payment whereas the remaining balance of HK$600,000 was credited to the current accounts with the directors of the Company.

(d) For the year ended 31 March 2015, BuildMax (HK) declared dividend amounting to HK$3,000,000, of which HK$1,200,000 was attributable to the non-controlling interests. Out of this sum, HK$800,000 was settled by cash payment whereas the remaining balance of HK$400,000 was credited to the current accounts with Mr. Liu and Mr. Chan. Mr. Liu and Mr. Chan, related parties of the Group, are also the non-controlling shareholders of BuildMax (HK) during the Relevant Periods.

(e) For the year ended 31 March 2015, AcouSystem, KPa Contracting and KPa (HK) issued and allotted shares to Mr. Lui, Mr. Wai and Mr. Yip and the aggregate consideration of HK$900 was settled through the current accounts with Mr. Lui, Mr. Wai and Mr. Yip.

37. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in this Financial Information, the Group has the following significant transactions with related parties.

(a) During the Relevant Periods, the Group entered into the following transactions with related parties:

Name	Related party relationship	Type of transaction	Transaction amount Year ended 31 March 2014	2015
			HK$'000	*HK$'000*
BuildMax (SZ)*(note (i))*	Directors and key management have equity interest	Purchase of construction materials and processing charges paid/payable	14,514	11,886
Hillford *(note (i))*	Directors and key management have equity interest	Handling charge paid/payable	140	140
Sampag International Limited *(note (iii))*	A director and key management have equity interest	Purchase of construction materials	1,667	1,506
Sampag International Limited *(note (iii))*	A director and key management have equity interest	Handling income received	32	—
Wonder Asia Development Limited *(note (ii))*	A director has equity interest	Rental expenses paid/payable	348	348

Notes:

(i) Mr. Lui, Mr. Wai and Mr. Yip, the directors and shareholders of the Company, and Mr. Liu and Mr. Chan, key management of the Group, have equity interest in BuildMax (SZ) and Hillford. Mr. Lui, Mr. Wai, Mr. Yip, Mr. Liu and Mr. Chan are directors of Hillford whereas Mr. Wai and Mr. Yip are directors of BuildMax (SZ).

(ii) Mr. Wai, director and shareholder of the Company, has equity interest in Wonder Asia Development Limited.

(iii) Mr. Wai, director and shareholder of the Company, and Mr. Liu, key management of the Group, had equity interests in Sampag International Limited which have been disposed of in October 2014.

The transactions were conducted on the basis of mutually agreed terms.

(b) As at 31 March 2014 and 2015, Mr. Lui, Mr. Wai and Mr. Yip, directors and shareholders of the Company, provide personal guarantee to secure for the bank borrowings and banking facilities granted to the Group (note 27(c)).

(c) As at 31 March 2014 and 2015, Mr. Lui, Mr. Wai and Mr. Yip, directors and shareholders of the Company, provide indemnity to an insurance company for the surety bonds issued in favour of the customers of certain construction contracts (note 22).

(d) As at 31 March 2014 and 2015, Mr. Lui, Mr. Wai and Mr. Yip, directors and shareholders of the Company, provide personal guarantee in favour to certain suppliers/contractors in respect of agreements entered by the Group. The personal guarantee will be fully released, discharged or replaced by corporate guarantee or other securities provided by the Group upon [REDACTED].

(e) As at 31 March 2014 and 2015, certain of the Group's lease arrangements are subject to the personal guarantees provided by Mr. Yip and Mr. Wai, directors and shareholders of the Company.

(f) Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods were as follows:

	Year ended 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	6,934	5,823
Contributions to defined contribution retirement plan	111	128
	7,045	5,951

38. CAPITAL MANAGEMENT

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, to maintain an optimal capital structure, to reduce the cost of capital and to support the Group's stability and growth.

The Group monitors capital using gearing ratio, which is total debt to equity. Total debts include bank borrowings and obligation under finance leases. Equity represents total equity of the Group.

The directors of the Company actively and regularly reviews and manages the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise new debts or sells assets to reduce debt.

The gearing ratios as at 31 March 2014 and 2015 were as follows:

	As at 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
Bank borrowings	12,862	21,890
Obligations under finance leases	599	897
	13,461	22,787
Total equity	55,185	66,745
Gearing ratio	24.4%	34.1%

The Group targets to maintain a gearing ratio to be in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the Relevant Periods.

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities:

	As at 31 March	
	2014	**2015**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables		
— Trade and bills receivables	26,875	57,123
— Other receivables and deposits	23,278	23,839
— Amounts due from related companies	6,755	6,362
— Amounts due from related parties	930	—
— Amounts due from directors	1,965	2,493
— Pledged deposits	1,500	3,900
— Pledged bank deposits	7,589	10,027
— Cash and bank balances	10,485	5,791
	79,377	109,535
Financial liabilities		
Financial liabilities at amortised costs		
— Trade and other payables	24,209	51,374
— Amounts due to related parties	—	92
— Bank borrowings	12,862	21,890
— Obligation under finance leases	599	897
	37,670	74,253
Financial liabilities at fair value through profit or loss		
— Derivative financial instruments	41	276

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and bills receivables, other receivables and deposits, pledged deposits, pledged bank deposits, cash and bank balances, trade and other payables, bank borrowings, obligation under finance leases and balances with related companies, related parties and directors.

Due to their short term nature, the carrying values of the above financial instruments except for the non-current obligation under finance leases approximates their fair values.

For disclosure purpose, the fair values of non-current obligation under finance leases are not materially different from their carrying values. Their fair values have been determined by using discounted cash flow model and is classified as level 3 in the fair value hierarchy. Significant inputs include the discount rates used to reflect the credit risk of the Group.

(b) Financial instruments measured at fair value

The Group's foreign exchange forward contracts disclosed in note 26 are measured at fair value at the end of each of the reporting periods. Their fair values are determined with reference to dealer quotes and using valuation technique that maximises the use of observable market inputs such as market currency rates.

The following table provides an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2014				
Financial liabilities at fair value through profit or loss:				
— Foreign exchange forward contracts	—	41	—	41

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2015				
Financial liabilities at fair value through profit or loss:				
— Foreign exchange forward contracts	—	276	—	276

There were no transfer between the levels of the fair value hierarchy during the Relevant Periods.

40. 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 of directors. The Group does not have written risk management policies. However, the directors of the Company 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. Management has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis.

In respect of trade 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 (note 34). 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. Management 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. Details of bank borrowings and finance lease liabilities are disclosed in notes 27 and 28 respectively.

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 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	
	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	
	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.

(d) 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	—	—
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

41. SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 March 2015:

(a) Pursuant to the resolution passed by the shareholders of the Company on 22 September 2015, the authorised share capital of the Company has been increased from HK$380,000 to HK$20,000,000 by the creation of an additional 1,962,000,000 shares of HK$0.01 each;

(b) Pursuant to the resolutions passed by the shareholders of the Company on 22 September 2015, and subject to the same conditions as stated in the sub-paragraph headed "Conditions of the [REDACTED]" in the section headed "Structure and Conditions of the [REDACTED]" included in the [REDACTED] of the Company, the following have been approved:

(i) The [REDACTED] of [REDACTED] new shares of the Company at [REDACTED] of [REDACTED] per [REDACTED] (the "[REDACTED]");

(ii) Conditional on the share premium account of the Company being credited as a result of the issue of shares by the Company pursuant to the [REDACTED], the issue of a total of [REDACTED] shares at par by the Company to Mr. Lui, Mr. Wai, Mr. Yip and Success Wing on a pro-rata basis by way of capitalising an amount of [REDACTED] from the share premium account of the Company ("Capitalisation Issue"); and

(iii) The principal terms of the share option scheme as set out in the section headed "Statutory and General Information" in Appendix V to the [REDACTED].

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 March 2015.

Yours faithfully,

BDO Limited
Certified Public Accountants

LEE MING WAI
Practising Certificate number: P05682
Hong Kong