

FINANCIAL INFORMATION

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

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

OVERVIEW

Our Group is principally engaged as a main contractor in Hong Kong in the provision of (i) substructure building works services; (ii) superstructure building works services; and (iii) repair, maintenance, alteration and addition (“RMAA”) works services.

Our Group was founded in 1998 and have been operating for over 17 years. As a main contractor, our Group is responsible for the delegation works to our subcontractors under supervision and management by our project team, and generally includes overall project management and supervision of works conducted by our subcontractors to ensure their conformity to contractual specification and that projects are completed on time and within budget.

Our services range from substructure building works, superstructure building works to RMAA works. During the Track Record Period, the scope of our substructure building works projects consisted of demolition and hoarding, site formation and foundation works, the scope of our superstructure building works projects consisted of development and redevelopment of church, educational, residential, and commercial buildings, while the scope of our RMAA works consisted of improvement, fitting-out works, renovation works, restoration works and external works.

During the Track Record Period and up to the Latest Practicable Date, we completed 14 projects. As at the Latest Practicable Date, we had 12 on-going projects (either in progress or yet to commence) and the total outstanding contract sum of the same was approximately HK\$519.8 million. These on-going projects are expected to be completed by the year ending 31 March 2017.

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company under the laws of the Cayman Islands on 16 November 2015 with limited liability to act as the ultimate holding company of our Group. Before the completion of the Reorganisation, Ching Lee Holdings Limited is wholly owned by Mr. Terence Ng. In preparation of the [REDACTED], the companies comprising our Group underwent the Reorganisation, further details of which are explained in the section headed “History and Development — Reorganisation” to this document.

Pursuant to the completion of Reorganisation, on 15 December 2015, our Company has become the holding company of the companies now comprising our Group. Our Group comprising our Company and our Subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the combined financial statements has been prepared as if our Company had always been the holding company of our Group.

FINANCIAL INFORMATION

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

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

CRITICAL ACCOUNTING POLICIES

Key Sources of Estimation Uncertainty

The critical accounting judgements that our Group uses in applying its accounting policies are set out in note 5 of the notes the Accountant's Report set out in Appendix I to this document. In the application of our Group's accounting policies, our Directors are required to make judgement, estimates and assumptions about the carrying amount of assets and liabilities that are readily apparent from other sources. The estimate 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Construction contract

Construction contract revenue is recognised according to the percentage of completion of individual construction contract which requires the estimation of contract costs and gross profit margin of each contract. Contract costs and gross profit margin of individual contract is determined based on budget of the contract which was prepared by the management. 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, our management regularly reviews and revises the estimates of both contract costs and gross profit margin for the construction contracts as the contracts progress, the actual contract costs and gross profit margin may be higher or lower than the estimations and that will affect the revenue and gross profit recognised.

(ii) 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. If the financial condition of these customers was to deteriorate resulting in an impairment of their ability to make payments, additional allowance will be required.

FINANCIAL INFORMATION

(iii) Impairment of non-financial assets receivables

Management assesses impairment by evaluating conditions specific to our 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, our directors take into consideration assumptions that are mainly based on market conditions existing at the reporting date and approximate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by our Group.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our financial conditions and results of operations have been and will continue to be affected by a number of factors, including those set out below and in the section “Risk Factors”:

Our revenue is mainly derived from projects which are not recurring in nature and any significant decrease in the number of our projects would affect our operations and financial results.

All of our revenue during the Track Record Period was derived from providing (i) substructure building works services; (ii) superstructure building works services; and (iii) repair, maintenance, alteration and addition (“**RMAA**”) works services, in Hong Kong, and our engagements with customers were on a project basis and non-recurring in nature. We did not enter into any long term agreement or master service agreement with our customers as at the Latest Practicable Date. After completion of the projects, our customers are not obliged to engage us again in subsequent projects. Our Group has to undergo the tendering process for every new project.

We cannot assure that our existing customers will award new projects to us, nor can we guarantee that we would be able to maintain our business relationships with existing customers. In the event that we are unable to attract new customers or secure new projects from our existing customers, there may be a significant decrease in our revenue. Our operations and financial results would hence be adversely affected.

We determine our tender price based on the estimated time and costs to be involved in a project, yet the actual time and costs incurred may deviate from our estimate due to unexpected circumstances, thereby adversely affecting our operations and financial results

We determine our tender price based on our cost estimate plus a certain mark-up margin. For details of the factors we take into account when making our cost estimate, please refer to the paragraph headed “Business — Business model and our operation — Invitation to tender and preparation of tender” in this document. The actual time and costs incurred by us, however, may be adversely affected for various factors, including but not limited to, unexpected geological conditions in the underground of the work sites, unfavourable weather conditions, disputes with customers, suppliers, subcontractors and other project parties, difficulties in retaining necessary number of workers with requisite skills, receipt of variation orders from our customers, unexpected fluctuations in the market price of construction materials such as concrete, steel and other construction materials after the commencement of project, and other unforeseen circumstances. Significant changes in any of these or other relevant factors may lead to delay in completion or costs overrun by us, and there is no assurance that the actual time and costs incurred by us would match our initial estimate. Such delays, cost overruns or mismatch of actual time and costs with our estimates may cause our profitability to be lower than what we expected or may expose us to litigation or claims from customers in case of delays.

FINANCIAL INFORMATION

If we set a significant mark-up margin upon our estimated costs to cater for the unfavourable circumstances above, our tender may become uncompetitive. There is no assurance that we will always be able to price our tender competitively, and if we fail to do so, our customers may opt for our competitors, thereby resulting in a decrease in the number of projects awarded to us. This would adversely affect our operations and financial results. Meanwhile, if the mark-up margin set by us is too low, we may not be able to cover the financial impact of any unfavourable circumstances during project implementation. Our profitability in the project would hence be adversely and materially affected.

We may be exposed to delays and/or defaults of progress payments and/or retention monies by our customers which would adversely affect our cash flows or financial results

In general, we do not receive any sums as prepayment from our customers. Nevertheless, during the commencement of our project, we have to incur various costs, including but not limited to: (i) purchase costs of concrete, steel and other construction materials; (ii) rental costs for machinery; (iii) salary payments to our workers; and (iv) costs to arrange surety bond. As such, we are subject to credit risks of our customers and our liquidity is dependent on our customers making prompt progress payments and release of retention monies due to us. For details of the mechanisms of the progress payment and retention money, please refer to the paragraph headed “Business — Business model and our operation” in this document.

[As at 31 March 2015 and 30 September 2015, the [trade receivables] amounted to approximately HK\$[38.4] million and HK\$[27.2] million respectively, representing a decrease of approximately HK\$[11.2] million or [29.1]%, whereas the respective [trade receivables] accounted for approximately [25.3]% and [16.3]% of the total current assets respectively. In addition, the [trade receivables’ turnover days] were approximately [23] days, [29] days and [39] days for each of the two years ended 31 March 2015 and the six months ended 30 September 2015, respectively. For details of the fluctuations in our retention receivables from customers and [trade receivables’ turnover days], please refer to the paragraph headed “Financial Information — [Net Current Assets — Trade and other receivables]” in this document.] We cannot assure you that we will be able to recover all or any part of the amounts due from our customers or we will be able to collect all or any part of retention receivable from our customers within the agreed credit terms or at all.

Further, disputes may arise between us and our customer as to the value of work properly done in a particular period, and the progress payment that we are entitled to accordingly. There is also a possibility that we may take longer than the trade receivables’ turnover days to collect payments. This will negatively affect our cash flows and financial performance.

Our high gearing ratio and net current liabilities position expose us to liquidity risk

We rely on cash generated from our business operations and bank borrowings to finance our business operation. We expect that we will continue to do so in the future. Our high level of bank borrowings and gearing ratio could materially and adversely affect our liquidity. For example, the high level of bank borrowings and high gearing ratio could:

- require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings, thus reducing the availability of our cash flow from operations to fund working capital, capital expenditure and other general corporate purposes;
- increase our vulnerability to adverse economic or industry condition;
- limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate;

FINANCIAL INFORMATION

- potentially restrict us from pursuing strategic business opportunities;
- limit our ability to incur additional debt; and
- increase our exposure to interest rate fluctuations.

Our gearing ratio was [602.8]%, [310.0]% and [192.0]% as at 31 March 2014 and 2015 and 30 September 2015, respectively. Our current liabilities exceeded our current assets by HK\$[5.9] million and HK\$[3.5] million as at 31 March 2014 and 2015, respectively and we recorded net current assets of approximately HK\$[5.2] million as at 30 September 2015. Our Group's net current liabilities during the Track Record Period were largely due to bank borrowings classified as current liabilities due to "repayable on demand" clauses in the relevant facility agreements. For details, please refer to the paragraph headed "Financial Information — Liquidity and Capital Resources" in this document. We cannot assure you that we will not have a net current liabilities position in the future. The net current liabilities position, if recur in the future, would expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, operating results, financial condition could be materially and adversely affected.

We rely on our subcontractors, who are Independent Third Parties, to complete our contract works and there is no assurance that our subcontractors will always follow strictly all of our instructions. Any delay or defects in their works would adversely affect our operations and financial results

During the Track Record Period, we subcontracted various parts of our projects to our subcontractors in Hong Kong, who are Independent Third Parties, from time-to-time. For each of the two years ended 31 March 2015 and the six months ended 30 September 2015, the total cost of engaging our subcontractors amounted to approximately HK\$[80.5] million, HK\$[152.3] million and HK\$[70.3] million, representing approximately [48.6]%, [46.3]% and [53.1]% of our total direct costs, respectively. For details of our arrangements with subcontractors, please refer to the paragraph headed "Business — Our suppliers — Subcontracting" in this document.

There is no assurance that our subcontractors will always follow strictly all of our instructions. If the subcontractors fail to carry out the works in accordance with our standards and specifications, we may experience delay in project completion, quality issues concerning the works done, or non-performance by subcontractors. Consequently, we may have to incur significant time and costs to carry out remedial actions, which would in turn adversely affect the profitability and reputation of our business, and result in litigation or damage claims against us.

In addition, our subcontractors may not always be readily available whenever we need to engage them. Notwithstanding our proven working relationship with our subcontractors, there is no assurance that we would be able to maintain such relationships in the future. As at the Latest Practicable Date, we had not entered into any long term service agreement with our subcontractors. As such, they are not obliged to provide services to us in future projects on similar terms and conditions as they did in the past. We may have to offer remuneration higher than we anticipated in order to engage their service in the future. Further, there is no assurance that we would be able to find suitable alternative subcontractors that meet our project needs and requirements to complete the projects, which would in turn adversely affect our operations and financial results.

If our subcontractors violate any laws, rules or regulations in relation to health, environmental and safety matters, we may also be held liable for their violations, and be subject to claims for losses and damages if such violations result in any personal injuries and/or property damages. If any violation, whether substantial or minor in nature of any laws, rules or regulations occurred in the sites for which we are responsible, our operations and financial position would be adversely affected.

FINANCIAL INFORMATION

SUMMARY OF COMBINED FINANCIAL AND OPERATING DATA

The following combined statements of comprehensive income and combined statements of financial position are extracted from the Accountants' Report set forth in Appendix I to this document.

Combined statements of comprehensive income

	Year ended 31 March		Six months ended 30 September	
	2014	2015	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Revenue	200,183	377,356	154,308	154,909
Cost of revenue	<u>(165,674)</u>	<u>(328,560)</u>	<u>(131,823)</u>	<u>(132,307)</u>
Gross Profit	34,509	48,796	22,485	22,602
Other income and gains	581	830	426	495
Administrative and other operating expenses	(22,746)	(25,113)	(10,557)	(12,574)
Finance costs	<u>(990)</u>	<u>(1,700)</u>	<u>(788)</u>	<u>(925)</u>
Profit before income tax	11,354	22,813	11,566	9,598
Income tax	<u>(1,934)</u>	<u>(4,335)</u>	<u>(2,020)</u>	<u>(1,737)</u>
Profit and total comprehensive income for the year/period	<u><u>9,420</u></u>	<u><u>18,478</u></u>	<u><u>9,546</u></u>	<u><u>7,861</u></u>

FINANCIAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Revenue

Our Group's revenue was derived from (1) substructure building works services; (2) superstructure building works services; and (3) RMAA works services in Hong Kong. Revenue derived from these principal activities comprises the followings:

	Year ended 31 March		Six months ended 30 September	
	2014	2015	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Substructure building work services	75,280	131,520	65,988	36,913
Superstructure building work services	31,597	221,009	71,360	115,687
RMAA work services	<u>93,306</u>	<u>24,827</u>	<u>16,960</u>	<u>2,309</u>
	<u>200,183</u>	<u>377,356</u>	<u>154,308</u>	<u>154,909</u>

All our projects during the Track Record Period were located in Hong Kong. We undertook projects in both public and private sectors. The following table sets forth the breakdown of our revenue by public and private sectors during the Track Record Period:

	Year ended 31 March				Six months ended 30 September			
	2014		2015		2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Public sector	10,104	5.0%	955	0.3%	599	0.4%	—	0.0%
Private sector	<u>190,079</u>	<u>95.0%</u>	<u>376,401</u>	<u>99.7%</u>	<u>153,709</u>	<u>99.6%</u>	<u>154,909</u>	<u>100.0%</u>
	<u>200,183</u>	<u>100.0%</u>	<u>377,356</u>	<u>100.0%</u>	<u>154,308</u>	<u>100.0%</u>	<u>154,909</u>	<u>100.0%</u>

FINANCIAL INFORMATION

The following table sets forth a breakdown of our revenue by (1) substructure building works services; (2) superstructure building works services; and (3) RMAA works services during the Track Record Period

	Type	Sector	Year ended 31 March				Six months ended 30 September			
			2014		2015		2014		2015	
			HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<i>Substructure building works services</i>										
P2 (Note 2)	Substructure building works services for a church located at Tsim Sha Tsui, Hong Kong	Private	21,947	11.0	—	—	—	—	—	—
P3	Substructure building works services for a residential development located at Stanley, Hong Kong	Private	20,156	10.1	16,907	4.5	15,640	10.1	—	—
P6	Substructure building works services for a redevelopment located at Shau Kei Wan, Hong Kong	Private	25	0.1	48,052	12.7	18,267	11.9	20,512	13.2
P9	Substructure building works services for a hotel development located at Causeway Bay, Hong Kong	Private	6,280	3.1	22,494	6.0	9,870	6.4	1,240	0.8
P10	Substructure building works services for a proposed commercial development located at Central, Hong Kong	Private	8,401	4.2	20,087	5.3	7,729	5.0	14,971	9.7
<i>Superstructure building works services</i>										
P2 (Note 2)	Superstructure building works services for a church located at Tsim Sha Tsui, Hong Kong	Private	26,522	13.2	66,910	17.7	23,469	15.2	—	—
P4	Superstructure building works services for a commercial development located at Tsim Sha Tsui, Hong Kong	Private	219	0.1	53,413	14.1	16,890	11.0	28,360	18.3
P5	Superstructure building works for a [residential development] located at Castle Peak, New Territories, Hong Kong	Private	4,376	2.2	53,187	14.1	23,032	14.9	3,923	2.5
P7	Superstructure building works services for a residential development located at Prince Edward Road West, Hong Kong	Private	—	—	23,656	6.3	4,201	2.7	32,743	21.1
P8	Superstructure building works services for a residential development located at Stanley, Hong Kong	Private	—	—	22,500	6.0	3,569	2.3	25,551	16.5
<i>RMAA works services</i>										
P1	RMAA works services for a residential development located at Stanley, Hong Kong	Private	81,614	40.8	20,885	5.5	15,309	9.9	—	—
Other (Note 1)			30,643	15.2	29,265	7.8	16,332	10.6	27,609	17.9
			<u>200,183</u>	<u>100.0</u>	<u>377,356</u>	<u>100.0</u>	<u>154,308</u>	<u>100.0</u>	<u>154,909</u>	<u>100.0</u>

FINANCIAL INFORMATION

Notes:

1. Others mainly represent those projects contributing revenue of HK\$20 million or less to our Group for the two years ended 31 March 2015 and the six months ended 30 September 2015.
2. This project comprised two revenue segments — substructure building works services and superstructure building works.

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

During the Track Record Period, our Group completed 14 construction projects to both private sector and public sector. According to the Ipsos Report, public sector projects refer to projects commissioned by the Government (including the Development Bureau, Civil Engineering and Development Department, Drainage Services Department, Environmental Protection Department, Highways Department, Architectural Services Department, Water Services Department and Housing Authority), the MTR Corporation Limited and the Airport Authority, while private sector projects refer to projects commissioned by individuals, privately owned property development companies and commercial enterprises. Our Group generated approximately 95.0%, 99.7% and 100.0% of its revenue in the private sector, respectively, with the remaining revenue of approximately 5.0%, 0.3% and nil in the public sector for the year ended 31 March 2014 and 2015 and six months ended 30 September 2015.

Our Group's revenue for the year ended 31 March 2015 increased by approximately [88.5%] or approximately HK\$177.2 million as compared to that for the year ended 31 March 2014. The increase in revenue contribution from substructure building works services and superstructure building works services amounted to approximately HK\$56.2 million and HK\$189.4 million respectively, net of decrease in RMAA works services of approximately HK\$68.4 million.

The increase in revenue from substructure building works services and superstructure building works services was mainly attributable to the commencement of the new projects P4, P6, P7 and P8 in private sector during 31 March 2015.

Turnover for the six months ended 30 September 2015 increased by approximately 0.4% or approximately HK\$0.6 million as compared to that for the six months ended 30 September 2014. The increase was mainly attributable to the increase in revenue generated from superstructure projects of approximately HK\$44.3 million, of which P7 contributed approximately HK\$28.5 million. The increase in revenue was net off by decrease in revenue from substructure and RMAA business of approximately HK\$29.1 million and HK\$14.7 million respectively. The decrease in substructure was mainly from completion of P3 and a foundation project in Wanchai in the year ended 31 March 2015 which accounted for approximately HK\$15.6 million and HK\$9.7 million respectively. For RMAA business, the decrease was mainly due from completion of P1 in the year ended 31 March 2015 which accounted for approximately HK\$15.3 million of revenue.

FINANCIAL INFORMATION

Cost of revenue

The table below sets forth a breakdown of our direct costs by nature and percentage contribution to total direct costs for the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Subcontracting charges	82,075	49.5	161,152	49.0	76,580	58.1	70,316	53.1
Material charges	58,548	35.3	116,566	35.5	33,715	25.6	40,356	30.5
Direct labour costs	3,340	2.0	12,971	3.9	4,654	3.5	6,027	4.6
Other	21,711	13.2	37,871	11.6	16,874	12.8	15,608	11.8
	<u>165,674</u>	<u>100.0</u>	<u>328,560</u>	<u>100.0</u>	<u>131,823</u>	<u>100.0</u>	<u>132,307</u>	<u>100.0</u>

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

During the Track Record Period, sub-contracting fees constitute the largest component of our direct costs, amounting to approximately [49.5%], [49.0%] and 53.1% of our total direct cost.

The Group's major materials include steel and concrete. During the Track Record Period, the purchases of steel amounted for approximately HK\$20.6 million, HK\$29.9 million and HK\$6.9 million, representing approximately 35.2%, 25.7% and 17.1% of the Group's total material and processing charges, respectively. The purchases of concrete amounted for approximately HK\$7.1 million, HK\$18.1 million and HK\$3.4 million, representing approximately 12.1%, 15.6% and 8.3%.

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

	Year ended 31 March				Six months ended 30 September			
	2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Steel	20,602	35.2	29,920	25.7	9,556	28.3	6,919	17.1
Concrete	7,091	12.1	18,136	15.6	6,874	20.4	3,365	8.3
Elevator and air-conditioning installation	10,293	17.6	37,414	32.1	7,439	22.1	15,988	39.7
Consumables	682	1.2	8,307	7.1	3,030	9.0	2,369	5.9
Gas & Petroleum	2,628	4.5	4,907	4.2	1,156	3.4	120	0.3
Other	17,252	29.4	17,882	15.3	5,660	16.8	11,595	28.7
	<u>58,548</u>	<u>100</u>	<u>116,566</u>	<u>100</u>	<u>33,715</u>	<u>100</u>	<u>40,356</u>	<u>100</u>

FINANCIAL INFORMATION

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

	Year ended 31 March				Six months ended 30 September			
	2014		2015		2014		2015	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Substructure								
building works								
services	63,504	38.3	110,315	33.6	54,059	41.0	30,338	22.9
Superstructure								
building works								
services	30,910	18.7	198,186	60.3	64,981	49.3	100,331	75.9
RMAA works								
services	<u>71,260</u>	<u>43.0</u>	<u>20,059</u>	<u>6.1</u>	<u>12,783</u>	<u>9.7</u>	<u>1,638</u>	<u>1.2</u>
	<u><u>165,674</u></u>	<u><u>100.0</u></u>	<u><u>328,560</u></u>	<u><u>100.0</u></u>	<u><u>131,823</u></u>	<u><u>100.0</u></u>	<u><u>132,307</u></u>	<u><u>100.0</u></u>
	Year ended 31 March		2015		Six months ended 30 September		2015	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Private sector	158,030	95.4	326,606	99.4	131,571	99.8	132,307	100.0
Public sector	<u>7,644</u>	<u>4.6</u>	<u>1,954</u>	<u>0.6</u>	<u>252</u>	<u>0.2</u>	<u>—</u>	<u>—</u>
	<u><u>165,674</u></u>	<u><u>100.0</u></u>	<u><u>328,560</u></u>	<u><u>100.0</u></u>	<u><u>131,823</u></u>	<u><u>100.0</u></u>	<u><u>132,307</u></u>	<u><u>100.0</u></u>

FINANCIAL INFORMATION

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's subcontracting fee, materials cost and staff costs on the Group's profit during the Track Record Period. The hypothetical fluctuation rates are set out at 5%, 10% and 20% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in subcontracting charges	-20%	-10%	-5%	+5%	+10%	+20%
Increase/Decrease in profit before tax						
Year ended 31 March 2014	16,415	8,208	4,104	(4,104)	(8,208)	(16,415)
Year ended 31 March 2015	32,230	16,115	8,058	(8,058)	(16,115)	(32,230)
Period ended 30 September 2014	15,316	7,658	3,829	(3,829)	(7,658)	(15,316)
Period ended 30 September 2015	14,063	7,032	3,516	(3,516)	(7,032)	(14,063)
Hypothetical fluctuations in material charges	-20%	-10%	-5%	+5%	+10%	+20%
Increase/Decrease in profit before tax						
Year ended 31 March 2014	11,710	5,855	2,927	(2,927)	(5,855)	(11,710)
Year ended 31 March 2015	23,313	11,657	5,828	(5,828)	(11,657)	(23,313)
Period ended 30 September 2014	6,743	3,372	1,686	(1,686)	(3,372)	(6,743)
Period ended 30 September 2015	8,071	4,036	2,018	(2,018)	(4,036)	(8,071)
Hypothetical fluctuations in direct labour cost	-20%	-10%	-5%	+5%	+10%	+20%
Increase/Decrease in profit before tax						
Year ended 31 March 2014	668	334	167	(167)	(334)	(668)
Year ended 31 March 2015	2,594	1,297	649	(649)	(1,297)	(2,594)
Period ended 30 September 2014	931	465	233	(233)	(465)	(931)
Period ended 30 September 2015	1,205	603	301	(301)	(603)	(1,205)

Gross Profit

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

	Year ended 31 March				Six months ended 30 September			
	2014		2015		2014		2015	
	Gross Profit	Gross Profit margin	Gross Profit	Gross Profit margin	Gross Profit	Gross Profit margin	Gross Profit	Gross Profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Substructure								
building works services	11,777	15.6	21,205	16.1	11,928	18.1	6,574	17.8
Superstructure								
building works services	687	2.2	22,822	10.3	6,380	8.9	15,357	13.3
RMAA works services	<u>22,045</u>	23.6	<u>4,769</u>	19.2	<u>4,177</u>	24.6	<u>671</u>	29.1
	<u>34,509</u>	17.2	<u>48,796</u>	12.9	<u>22,485</u>	14.6	<u>22,602</u>	14.6

FINANCIAL INFORMATION

	Year ended 31 March				Six months ended 30 September			
	2014		2015		2014		2015	
	Gross Profit	Gross Profit margin	Gross Profit	Gross Profit margin	Gross Profit	Gross Profit margin	Gross Profit	Gross Profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private sector	32,049	16.9	49,795	13.2	22,138	14.4	22,602	14.6
Public sector	<u>2,460</u>	24.3	<u>(999)</u>	(104.6)	<u>347</u>	57.9	<u>—</u>	—
	<u>34,509</u>	17.2	<u>48,796</u>	12.9	<u>22,485</u>	14.6	<u>22,602</u>	14.6

During the years ended 31 March 2014 and 2015 and six months ended 30 September 2015, our gross profit was approximately HK\$34.5 million, HK\$48.8 million and HK\$22.6 million, and our gross profit margins were approximately 17.2%, 12.9% and 14.6% for the years ended 31 March 2014 and 2015 and six months ended 30 September 2015 respectively. Our gross profit margin of our projects depends on a number of factors, including but not limited to, scope of work, technical complexity, geological conditions of the work sites, variation orders and/or work programme, and therefore varies from project to project.

Accordingly, for all of our projects, superstructure building works services, substructure building works services or RMAA works services, Government or Private, our Directors are of the view that no clear benchmark of profit margin based on our three business segments could be established. It is our Directors' objective to maximise gross profit margin for each project. Our overall gross profit margin for the year ended 31 March 2015 decrease to 12.9% compared the years ended 31 March 2014 primarily because the decrease in gross profit of our substructure and superstructure, which was offset by the decrease in gross profit of our RMAA business. The gross profit margin remained stable during the six months ended 30 September 2014 and 2015 of approximately 14.6% and 14.6% due to the increase in gross profit of our RMAA and superstructure project, which was offset by decrease in gross profit of our substructure business.

Other Income and Gains

The following table sets forth the breakdown of other income and gains during the Track Record Period:

	Year ended 31 March		Six months ended 30 September	
	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Bank interest income	—	17	3	3
Rental income	127	213	75	—
Sale of scrap materials	—	342	332	29
Interest income on amount due from a director	350	—	—	—
Gain on disposal of property, plant and equipment	—	—	—	400
Other	<u>64</u>	<u>258</u>	<u>16</u>	<u>63</u>
	<u>541</u>	<u>830</u>	<u>426</u>	<u>495</u>

FINANCIAL INFORMATION

Other income and gains includes mainly interest income received from bank, sale of scrap materials, interest income on amount due from a director, rental income and gain on disposal of an investment property.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly include staff costs, Directors' remuneration and benefits, operating lease rental on land and building, legal and professional fees, entertainment, motor vehicles and travelling expense, and other administrative expenses. The following table sets out the administrative expenses by nature during the Track Record Period:

	Year ended 31 March		Six months ended 30 September	
	2014	2015	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)			
Staff costs, including Directors' emoluments	9,947	13,560	5,588	6,639
Motor vehicles and traveling expenses	1,089	1,165	807	328
Operating lease rental on land and buildings	221	355	153	163
Entertainment	3,496	2,780	902	502
Consultancy fee	1,971	1,748	734	759
Legal and professional fee	325	227	78	160
Depreciation	1,236	1,341	320	764
Donation	2,351	1,310	589	1,422
Other	<u>2,110</u>	<u>2,627</u>	<u>1,386</u>	<u>1,837</u>
	<u>22,746</u>	<u>25,113</u>	<u>10,557</u>	<u>12,574</u>

Staff costs included compensation and benefits provided to administrative staff and our Directors. Operating lease rental on land and buildings represented lease rental paid for our Group's warehouses, and open storage and service depot for our machinery and equipment. Those office premises and warehouse were leased from landlords, who are [Independent Third Parties]. Travelling expenses were parking fee and toll fees for travelling costs incurred not directly related in our construction projects. Legal and professional fees included legal expenses and professional charges mainly incurred for renewal of license, ISO and rental agreement. Depreciation classified as administrative expenses represented equipment and motor vehicles which were not involved directly in our construction project.

Our Group donated to non-profit making organizations for the year ended 31 March 2014, 31 March 2015 and six months ended 30 September 2015. Entertainment comprised expenses incurred for food and beverage. Our other administrative expenses included motor vehicles and travelling expenses, entertainment, insurance, telephone and fax charges, auditor's remuneration and other sundry expenses.

FINANCIAL INFORMATION

Finance Costs

Our finance costs mainly represent interest expenses for bank loans and interest expenses on obligations under finance leases of machinery and motor vehicles. The table below set forth the total finance costs of our Group and amount charge to profit or loss of our Group during the Track Record Period.

	Year ended 31 March		Six months ended 30 September	
	2014	2015	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings				
— Bank loans and overdraft wholly repayable within five years	882	1,295	596	749
— Bank loans wholly repayable after five years	22	62	18	49
Interest element of finance lease payments	86	343	174	127
	990	1,700	788	925

Income Tax Expenses

Our Group's revenue during the Track Record Period was derived in Hong Kong, and our Group was subject to profits tax in Hong Kong. Provision for Hong Kong profits tax is provided at the statutory profits tax rate of 16.5% of the estimated assessable profits for the Track Record Period. The effective tax rates of our Group for each of the two years ended 31 March 2014 and 2015 the six months ended 30 September 2015 were [17]%, [19]% and [18]% respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Period to period comparison of results of operation

Comparison of the year ended 31 March 2015 and 31 March 2014

Revenue

The overall revenue of our Group increased by approximately HK\$[177.2] million or [88.5]% from HK\$[200.2] million for the year ended 31 March 2014 to HK\$[377.4] million for the year ended 31 March 2015, which was primarily due to increase in revenue derived from the substructure building works services and superstructure building works services segment.

1. Revenue segment

Substructure building work services

Our revenue generated from substructure building work services increased by HK\$[56.2] million or 74.7%, from approximately HK\$[75.3] million for the year ended 31 March 2014 to approximately HK\$[131.5] million for the year ended 31 March 2015, representing approximately [37.6]% and [34.9]% of our total revenue respectively. The increase was primarily due to the increase in revenue recognised by approximately [HK\$48.0] million in aggregate for the commencement of new project [P6] related to a redevelopment located at Shau Kei Wan, and as a

FINANCIAL INFORMATION

greater portion of two projects [P9 and P10], which in aggregate contributed revenue of approximately HK\$42.6 million for the year ended 31 March 2015. The increase was partially offset by the completion of substructure work of project P2 related to a church located at Tsim Sha Tsui in the year ended 31 March 2014, which contributed revenue of approximately HK\$21.9 million for that year.

Superstructure building work services

Our revenue generated from superstructure building work services increased by HK\$[189.4] million or [599.5]%, from approximately HK\$[31.6] million for the year ended 31 March 2014 to approximately HK\$[221.0] million for the year ended 31 March 2015, representing approximately [15.8]% and [58.6]% of our total revenue respectively. The increase was primarily due to (i) the amount of approximately HK\$[66.9] million from the project [P2] related to a church located at Tsim Sha Tsui, which had a substantial portion of the superstructure building works completed during the year ended 31 March 2015, and (ii) an increase in revenue generated by approximately HK\$99.6 million in aggregate from the commencement of three new projects P4, P7 and P8 during the year ended 31 March 2015.

RMAA work services

Our revenue generated from RMAA works services decreased by approximately HK\$[68.5] million or [73.4]%, from approximately HK\$[93.3] million for the year ended 31 March 2014 to approximately HK\$[24.8] million for the year ended 31 March 2015, representing approximately [46.7]% and [6.6]% of our total revenue respectively. The decrease was mainly attributable to the project P1. Since this project had a substantial portion of the related renovation works completed during the year ended 31 March 2014, it contributed approximately HK\$81.6 million to total revenue during the year ended 31 March 2014 while only approximately HK\$20.9 million was recognized to revenue during the year ended 31 March 2015.

2. *Public and private project*

Our public projects accounted for less than 10% of our total revenue. Our public projects were primarily RMAA works services in nature. Our revenue from public projects decreased by approximately HK\$[9.1] million or [90.5%] from approximately HK\$[10.1] million in the year ended 31 March 2014 to approximately HK\$[1.0] million in the year ended 31 March 2015, primarily due to the completion of the substantial portion of the renovation works for two projects at the last quarter of 2013, which were awarded by a university in Hong Kong and statutory body with focus on organizing the protection, restoration and maintenance of monuments.

Cost of revenue

Cost of revenue increased from approximately HK\$[165.7] million for the year ended 31 March 2014 to approximately HK\$[328.6] million for the year ended 31 March 2015, represented an increase of approximately HK\$[162.9] million. Such increase was in line with the increase in our revenue by approximately 88.5% during the same period. The increase was primarily due to (i) the increase in sub-contracting fees by approximately HK\$79.1 million or 96.3% in the year ended 31 March 2015; and (ii) the increase in material costs by approximately HK\$58.0 million or 99.1% in the year ended 31 March 2015; (iii) the increase in direct staff costs by approximately HK\$9.6 million or 288.4% in the year ended 31 March 2015. The significant increase in material costs in the year ended 31 March 2015 was primarily attributable to our superstructure projects [P4, P5 and P6] which commenced works during the year ended 31 March 2015 where we were contractually required to provide a substantive portion of sub-contracting fee and construction materials required, in particular steel, concrete and labour cost.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our overall gross profit margin dropped from 17.2% for the year ended 31 March 2014 to 12.9% for the year ended 31 March 2015. The decrease was mainly due to the gross loss incurred from RMAA works services in public sector.

Gross profit margin of our substructure building works services increased slightly from approximately 15.6% for the year ended 31 March 2014 to approximately 16.1% for the year ended 31 March 2015. The increase was mainly due to the lower gross profit margin project P2 completed at the year ended 31 March 2014, which was awarded by a church located at Tsim Sha Tsui, which is non-profit making organization in Hong Kong.

Gross profit margin for our superstructure building works services improved from approximately 2.2% for the year ended 31 March 2014 to approximately 10.3% for the year ended 31 March 2015. The improvement was due to increase in gross profit generated from 2 of 3 new projects, P7 and P8, which commenced in first quarter of 2015.

Gross profit margin for our RMAA works services dropped from approximately 23.6% for the year ended 31 March 2014 to approximately 19.2% for the year ended 31 March 2015. The drop was due to increase in additional cost were incurred for a project awarded by a university in Hong Kong. Additional work performed was mainly due to cost incurred to make good any defective work or materials during defect liability period.

Other Income and Gains

Other income and gains for the two year ended 31 March 2014 and 2015 amounted to approximately HK\$0.5 million and HK\$0.8 million respectively. The increase in other income by approximately HK\$0.3 million for the year ended 31 March 2015 was mainly attributable to (i) the sales of scrap materials of approximately HK\$0.3 million, (ii) increase in miscellaneous income of approximately HK\$0.2 million representing the sale of steel platform, and (iii) net of the decrease in interest income on amount due from a director of approximately HK\$0.4 million.

Administrative and Other Operating Expenses

Administrative and other operating expenses for the year ended 31 March 2014 and 2015 amounted to HK\$22.7 million and HK\$25.1 million respectively. The increase by approximately HK\$2.4 million was mainly due to (i) increase in staff cost by approximately HK\$3.6 million for salary increment and increase in average number staff in year 2015, (ii) increase in depreciation of approximately HK\$0.1 million, (iii) decrease in other administrative expenses of approximately HK\$0.5 million representing insurance expenses and annual maintenance cost, and (iv) net of decrease in donation approximately HK\$1.0 million.

FINANCIAL INFORMATION

Finance Costs

Our Group recorded finance costs of approximately HK\$1.0 million and HK\$1.7 million for each of the year ended 31 March 2014 and 2015 respectively. The increase in finance cost was primarily attributable to (i) the increase in average outstanding balance of our bank borrowings during the year ended 31 March 2015 and (ii) increase in interest element of finance lease payment.

Income Tax

Income tax increased by approximately HK\$2.4 million or 124% from approximately HK\$1.9 million for the year ended 31 March 2014 to approximately HK\$4.3 million for the year ended 31 March 2015, which was consistent with the increase in profit before taxation for the year ended 31 March 2015 as compared to the year ended 31 March 2014.

Profit for the year

The profit for the year of our Group increased by approximately HK\$9.1 million or 96.8% from approximately HK\$9.4 million for the year ended 31 March 2014 to approximately HK\$18.5 million for the year ended 31 March 2015. The net profit margin of our Group remained stable of approximately 4.7% and 4.9% for the year ended 31 March 2014 and 2015. The increase in profit for the year mainly due to increase in our gross profit while partially offset by the increase in administration and other operating expenses.

Comparison of the six months ended 30 September 2014 and 30 September 2015

Revenue

The overall revenue of our Group increased slightly by approximately HK\$0.6 million or 0.4% from HK\$154.3 million for the year ended 30 September 2014 to HK\$154.9 million for the year ended 30 September 2015, which was primarily due to increase in revenue derived from the superstructure building works services, net of the decrease from substructure building works services and RMAA works services.

1. Revenue segment

Substructure building work services

Our revenue generated from substructure building work services decreased by HK\$[29.1] million or [44.1]%, from approximately HK\$[66.0] million for the six months ended 30 September 2014 to approximately HK\$[36.9] million for the year ended 30 September 2015, representing approximately [42.8]% and [23.8]% of our total revenue respectively. The decrease was mainly due to a decrease in revenue contribution from two projects namely [P3] and [P9], which together generated revenue contribution of approximately HK\$25.5 million during the six months ended 30 September 2014, and only approximately HK\$1.2 million was recognised during the six months ended 30 September 2015.

Superstructure building work services

Our revenue generated from superstructure building work services increased by HK\$[44.3] million or [62.1]%, from approximately HK\$[71.4] million for the six months ended 30 September 2014 to approximately HK\$[115.7] million for the six months ended 30 September 2015, representing approximately [46.2]% and [74.7]% of our total revenue respectively. For the six months ended 30 September 2015, our Group worked on a total of 6 projects for superstructure

FINANCIAL INFORMATION

building works services, deriving average income per project of approximately HK\$19.3 million; whereas, for the six months ended 30 September 2014, our Group worked on a total of 5 projects for superstructure building works services, deriving average income per project of approximately HK\$14.2 million. The increase in the average income per project for the six months ended 30 September 2015 was due to the progress 3 projects [P4, P7, and P8], which contributed a total approximately HK\$86.7 million, representing approximately 56.0% of our total revenue for the six months ended 30 September 2015.

RMAA work services

Our revenue generated from RMAA works decreased by approximately HK\$[14.7] million or [86.4]%, from approximately HK\$[17.0] million for the six months ended 30 September 2014 to approximately HK\$[2.3] million for the six months ended 30 September 2015, representing approximately [11.0]% and [1.5]% of our total revenue respectively. It was mainly due to decrease in revenue generated from the project P1 for a residential development located at Stanley, since the project has achieved practice completion at second quarter of 2014.

2. *Public and private project*

For the six months ended 30 September 2015, no projects were awarded from public sector customers. All public projects completed during the year ended 31 March 2015.

Cost of Revenue

Our Group's cost of revenue increased from approximately HK\$131.8 million for the six months ended 30 September 2014 to HK\$132.3 million for the six months ended 30 September 2015, representing a increase of approximately HK\$0.5 million or 0.4%. The increase was mainly due to (i) increase in material charges by approximately HK\$6.6 million, (ii) increase in other direct labour costs by approximately HK\$1.4 million, (iii) and net of decrease in subcontracting charge cost by approximately HK\$6.3 million and decrease in other construction cost by approximately HK\$1.3 million.

Gross Profit and Gross Profit Margin

Our overall gross profit margin remained at a similar level during the six months ended 30 September 2014 and 2015.

The gross profit margin for our substructure building works services remained at a similar level of approximately 18.1% and 17.8% for the six months ended 30 September 2014 and 2015.

Gross profit margin for our superstructure building works services improved from approximately 8.9% for the six months ended 30 September 2014 to approximately 13.3% for the six months ended 30 September 2015. The increase was mainly due to (i) awarded two new projects about redevelopment of teaching block for a school located at Stanley and a proposed composite development located at Portland Street, which generated gross profit of approximately HK\$[2.9] million, and (ii) this lower gross profit margin project by a church, which is non-profit making organization in Hong Kong completed.

Gross profit margin for our RMAA works services increased significantly from approximately 24.6% for the six months ended 30 September 2014 to approximately 29.1% for the six months ended 30 September 2015. The improvement for the six months ended 30 September 2015 was attributable to increase in revenue contributed from the high gross profit margin project compared with the six months ended 30 September 2014.

FINANCIAL INFORMATION

Other Income and Gains

Our other income was approximately HK\$495,000 for the six months ended 30 September 2015, representing a slight decrease of approximately HK\$69,000 from approximately HK\$426,000 for the six months ended 30 September 2014. Such decrease was mainly due to decrease in sales of scrap materials by approximately HK\$303,000, which offset by the gain on disposal from an investment property amounted to HK\$400,000.

Administrative and Other Operating Expenses

Administrative and other operating expenses for six months ended 30 September 2015 amounted to HK\$12.6 million, increased by approximately HK\$2 million from HK\$10.6 million for the year ended 30 September 2014. The main reason for the increase was due to (i) increase in staff cost by approximately HK\$1.1 million for salary increment and increase in average number staff in year 2015, (ii) increase in donation of approximately HK\$0.8 million, (iii) increase in depreciation of approximately HK\$0.4 million, and (iv) net of decrease in entertainment expenses and sundry expenses approximately HK\$0.4 million and HK\$0.1 million.

Finance costs

Finance cost increased by approximately HK\$137,000 or 17.4% from approximately HK\$788,000 million for the six months ended 30 September 2014 to approximately HK\$925,000 million for the six months ended 30 September 2015, which was primarily attributable to the increase in the average outstanding balance of our bank borrowings during the six months ended 30 September 2015.

Income Tax

The effective tax rate for the six months ended 30 September 2014 and 2015 remain stable of approximately 17% and 18%.

Profit for the Period

The profit for the six months ended 30 September 2015 amounted to approximately HK\$7.8 million. The dropped as compared to the net profit recorded for the six months ended 30 September 2014 of approximately of HK\$9.5 million was attributable to an increase of administrative and other operating expenses and finance cost during the six months ended 30 September 2015.

FINANCIAL INFORMATION

COMBINED STATEMENT OF FINANCIAL POSITION

The following set forth the selected financial information of our combined statements of financial position as at 31 March 2014 and 2015 and 30 September 2015, which are extracted from the Accountant's Report included in Appendix I to this document:

	As at 31 March 2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	As at 30 September 2015 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	11,526	27,195	24,938
Investment property	<u>[4,600]</u>	<u>[—]</u>	<u>[—]</u>
	<u>16,126</u>	<u>27,195</u>	<u>24,938</u>
Current assets			
Trade and other receivables	44,757	70,906	72,242
Pledged deposits	13,388	14,259	10,766
Amounts due from customers of contract work	13,829	11,547	12,245
Amounts due from related companies	15,793	15,831	15,882
Amount due from a director	9,629	32,727	41,136
Pledged bank deposit	—	1,007	1,010
Bank balances and cash	<u>3,280</u>	<u>5,874</u>	<u>13,580</u>
	<u>100,676</u>	<u>152,151</u>	<u>166,861</u>
Non-current asset held for sale	<u>[—]</u>	<u>[4,600]</u>	<u>[—]</u>
Total current assets	<u>100,676</u>	<u>156,751</u>	<u>166,861</u>
Current liabilities			
Trade and other payables	31,885	61,807	58,271
Amounts due to customers of contract work	31,670	34,112	44,534
Amount due to a director	2,397	2,858	2,858
Obligations under finance leases	1,248	3,172	2,912
Bank borrowings, secured	39,276	56,354	49,288
Provision for taxation	<u>58</u>	<u>1,949</u>	<u>3,823</u>
	<u>106,534</u>	<u>160,252</u>	<u>161,686</u>
Net current assets/(liabilities)	<u>(5,858)</u>	<u>(3,501)</u>	<u>5,175</u>
Total assets less current liabilities	<u>10,268</u>	<u>23,694</u>	<u>30,113</u>
Non-current liabilities			
Obligations under finance leases	2,739	2,790	1,484
Deferred tax liabilities	<u>352</u>	<u>799</u>	<u>663</u>
Total non-current liabilities	<u>3,091</u>	<u>3,589</u>	<u>2,147</u>
NET ASSETS	<u>7,177</u>	<u>20,105</u>	<u>27,966</u>

FINANCIAL INFORMATION

	As at 31 March		As at 30 September
	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and Reserves			
Share capital	3,711	3,711	3,711
Reserves	3,466	16,394	24,255
TOTAL EQUITY	7,177	20,105	27,966

Property, Plant and Equipment

Our Group's property, plant and machinery mainly comprised motor vehicles, office and construction machinery such as excavator, crane, grout pumps and air compressor. The carrying amount of property, plant and equipment increased from [HK\$11.5] million at 31 March 2014 to [HK\$27.2] million at 31 March 2015 as a result of acquisition of buildings and additional contraction machinery in accordance with the requirements of new contracts amounted to approximately HK\$[19.6] million, net of depreciation of approximately HK\$[3.9] million.

The carrying amount value of property, plant and machinery decreased from approximately HK\$27.2 million as at 31 March 2015 to approximately HK\$[25.0] million as at 30 September 2015 as a result of written off of net book value of approximately HK\$[105,000] and the effect of depreciation for the six months ended 30 September 2015 of approximately HK\$[2.2] million. The assets written off during the six months ended 30 September 2015 mainly comprised of furniture and equipment which amounted to approximately HK\$105,000 in aggregate.

Investment Property and Non-Current Asset Held for Sale

	As at 31 March		As at 30 September
	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value			
At beginning of year/period	4,560	4,600	[—]
Fair value gains	40	—	[—]
Transferred to non-current asset held for sale	—	(4,600)	[—]
	4,600	[—]	[—]

Our Group's investment property was valued at 31 March 2014 by an independent firm of professionally qualified valuers. The valuation gave rise to net value gains of HK\$[40,000] during the year ended 31 March 2014.

During the year ended 31 March 2015, our Group entered into a sale and purchase agreement to dispose of its investment property with the carrying amount at HK\$[4,600,000] and the disposal will be completed within 12 months. In accordance with HKFRS 5 our Group's investment properties have been reclassified as non-current assets held of sale and stated at HK\$[4,600,000] as at the date of the sale and purchase agreement and 31 March 2015, which is lower than the expected fair value less cost of disposal.

During the six months ended 30 September 2015, the investment property was disposed and a gain on disposal of HK\$400,000 was recognised.

FINANCIAL INFORMATION

Trade and Other Receivables

Our trade and other receivable consist of (i) trade receivables; (ii) deposits, prepayment and other receivable; and (iii) retention receivables in relation to completed and on-going projects.

Set out below is the composition of trade and other receivables as at 31 March 2014 and 2015, and 30 September 2015:

	At 31 March		At
	2014	2015	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	2015
			<i>HK\$'000</i>
Trade receivables	22,159	38,420	27,233
Retention receivables	19,638	30,079	40,332
Deposits, prepayments and other receivables	2,960	2,407	4,677
	44,757	70,906	72,242

Trade receivables

Trade receivables primarily represent amounts receivable from our customers under our building construction contracts, RMAA contracts and sub-structuring work. [We receive progress payment from our customers pursuant to the contract. In general, for every one month, our customer[, or its architect or quantity surveyor] shall estimate the value of the works properly executed and of the materials and goods properly delivered to or adjacent to the works, and then issue a certificate stating the amount due to us from our customer. The date of the certificate shall be within 30 days from the date of such estimation. Upon our presentation of the certificate, our customer shall settle to us the certified amount less any retention money within 30 days.

As at 31 March 2014, 2015 and 30 September 2015, the balance of our trade receivables was HK\$[22.2] million, HK\$[38.4] million and HK\$[27.2] million, respectively. The amount of trade receivables as at 31 March 2015 increased by approximately HK\$16.2 million was primarily attributable to the business expansion as reflected in the increase in number of newly commenced projects in substructure and superstructure segments.

The decrease in trade receivable as at 30 September 2015 to approximately HK\$27.2 million from approximately HK\$38.4 million was mainly due to several projects completed during the six months period. At the Latest Practicable Date, 99.6% of the trade receivables as at 30 September 2015 were subsequently settled.

FINANCIAL INFORMATION

Ageing analysis of trade receivables

The following table sets out the ageing analysis of the trade receivables, net of provision for doubtful debt, based on invoice date, as at 31 March 2014, 2015 and 30 September 2015:

	At 31 March		At
	2014	2015	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	2015
			<i>HK\$'000</i>
0–30 days	21,912	36,364	27,233
31–60 days	247	837	—
61–90 days	—	1,219	—
	<u>22,159</u>	<u>38,420</u>	<u>27,233</u>

Credit terms granted to our customers vary from contract to contract. The settlement date is usually determined with reference to the payment certificate date and usually coincides with the payment certificate date, which is approximately 30 days upon our submission of progress payment application.

Over 90% of trade receivables are aged within 30 days and none of our trade receivable aged over three months at all the balance sheet dates. No provision for doubtful debt was made against the outstanding trade receivable because they were collected subsequently after each reporting date.

The following table sets forth the turnover days of the trade receivables (calculated as the average of beginning and ending total trade receivables balances for the period divided by revenue for the period, multiplied by 365 days or 183 days) for the periods indicated:

	Year ended 31 March		Six months
	2014	2015	ended
	<i>days</i>	<i>days</i>	30 September
			2015
			<i>days</i>
Trade receivables turnover days	<u>23</u>	<u>29</u>	<u>39</u>

As we usually submit application for payment and certification to customers approximately 30 days after the date of previous interim payment application and the customers normally takes around 30 days to certify our work done, the overall trade receivable turnover days was over the credit term of 7 days.

The trade receivable turnover days for the year ended 31 March 2014 and the year ended 31 March 2015 is approximately 23 days and 29 days respectively, which is consistent with the credit period of days.

Trade receivable turnover days increased from 29 days for the year ended 31 March 2015 to 39 days for the six months ended 30 September 2015, which was due to the increase in receivables of one newly commenced project, namely [project P4] amounted to approximately HK\$[15.4] million.

Retention receivables

Retention receivables represent the retention monies required by our customers to secure our Group's due performance of the contracts. Typically, the amount of retention money depends on negotiation between the parties, which is at approximately 10% of the value of works certified in each

FINANCIAL INFORMATION

progress payment and is subject to a maximum retention of approximately 5% of the total original contract value or a monetary cap. The terms and conditions in relation to the release of retention money also vary from contract to contract, which may subject to, practical completion, the expiry of the defect liability period or a pre-agreed time period.

Retention receivables increased from approximately HK\$19.6 million at 31 March 2014 to HK\$30.1 million at 31 March 2015. The increase was because of retention money withheld for existing and new projects commenced during the year ended 31 March 2015 amounted approximately HK\$19.2 million, net off the effect from the release of retention money upon expiry of maintenance period of approximately HK\$8.7 million. Retention receivable increased further to approximately HK\$40.3 million as at 30 September 2015 because of the increase in retention withheld during the six months ended 30 September 2015 amounted HK\$11.7 million, net of retention released of approximately HK\$1.5 million.

We expect all outstanding retention receivables to be released within the expiry of the defect liability period or the time period pre-agreed between our Group and our customers according to the respective contracts and works done. We expect the release dates of the retention receivables as at 30 September 2015 should fall between 2016 and 2018.

We have established relationships with customers who possess good credit standing and proven payment record. Before submitting a tender/quotation to any potential customer, we would first assess the credit worthiness and reputation of that customer. We regularly monitor the ageing of our trade debtors and would make specific provision for doubtful debts when there is objective evidence that we shall be unable to collect the amounts due. We did not make any provision for doubtful debt in respect of trade receivables and retention receivables during for years ended 31 March 2014 and 2015 and 30 September 2015.

Pledged Deposits

It represent (i) the deposits we placed with a bank or insurance company for issuance of surety bonds for certain of our project; and (ii) in lieu of surety bond, the deposits retained by our client as security of due performance for our project. The surety bonds provided by our Group during the Track Record Period are generally in an amount not exceeding [4%] of the contract sum.

The following table sets forth the details of the surety bonds in issue as at 31 March 2014, 2015 and 30 September 2015:

	At 31 March 2014	2015	At 30 September 2015
Aggregate value of surety bonds in issues (HK\$'000)	[13,388]	[14,259]	[10,766]
Number of projects that required issuance of surety bond	[6]	[6]	[6]
Aggregate contract value of the projects that required of surety bond (HK\$'000)	344,686	491,933	55,904

Our deposits of approximately HK\$[13.4] million, [HK\$14.3] million and [HK\$10.8] million as at 31 March 2014, 31 March 2015 and 30 September 2015 were attributable to the issue of surety bond in respect of the agreement between the customer and our Group, in lieu of the issue of surety bond,

FINANCIAL INFORMATION

deposits was retained by the relevant customer as security of our due performance in superstructure/substructure/RMAA projects that were in progress as at 31 March 2014, 31 March 2015 and 30 September 2015.

As at 31 March 2015, the slight increase amounted to approximately HK\$0.9 million is mainly attributable to the net effect of (i) addition of pledged deposits of three new projects related to substructure and superstructure namely [P4], [P6] and [P8], in aggregate of HK\$7.1 million and (ii) release of pledged deposits of approximately HK\$6.2 million due to completion of three projects, namely [P1], [P3], and a substructure located in Wanchai, Hong Kong.

As at 30 September 2015, the decrease amounted to approximately HK\$3.5 million is mainly attributable to the net effect of (i) addition of pledged deposits of approximately HK\$3.6 million of three new projects, namely [P11], [P1] and [P13] and (ii) release of pledged deposits of HK\$7.1 million upon completion of [P2] and [P9].

Amounts due from/to Customers of Contract Work

Our Group recognises the value of work performed as revenue based on the percentage of completion. The percentage of completion is determined using methods that measure reliably the work performed. The methods used include reference to surveys of work performed or the proportion that contract costs incurred for work performed date bear to the estimated total contract costs.

Amounts due from customers of contract work represent construction contracts in progress at the end of a reporting period and are recorded at the net amount of contract costs incurred plus recognised profit less recognised losses less progress billings. Such balance sheet item typically comprises of (i), in respect of construction works, completed projects or on-going works projects close to the end of each reporting period, for which the payment certificates have yet to be received by us from our customers, and (ii) the differences between the costs incurred and the costs recognised in profit or loss with reference to the stage of completion of the projects at the end of each reporting period.

Amounts due to customers of contract work represent excess of progress billings over contract costs incurred plus recognised profits less any recognised loss.

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

	As at 31 March		As at
	2014	2015	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Costs incurred to date plus recognised profits	305,515	641,315	785,235
Less: Progress billings to date	(323,356)	(663,880)	(817,524)
	(17,841)	(22,565)	(32,289)
Amounts due from customers of contract work	13,829	11,547	12,245
Amounts due to customers of contract work	(31,670)	(34,112)	(44,534)
	(17,841)	(22,565)	(32,289)

FINANCIAL INFORMATION

The net amount due to customers of contract work amounted to HK\$17.8 million, HK\$22.6 million and HK\$32.3 million as at 31 March 2014 and 2015 and 30 September 2015, the increase was mainly because of the timing difference in billing of interim certificates for projects P7, P8, where the relevant projects billing were more than the cost incurred plus recognised profits less recognised loss.

Amount due from/to Related Companies and a Director

The amounts due from our related companies, which is non-trade nature, was unsecured, interest free and repayable on demand. The amount due from our related companies was approximately HK\$[15.7] million, HK\$[15.8] million and HK\$[15.9] million as at 31 March 2014 and 2015, and 30 September 2015, respectively.

The amount due from our related company primarily represents advance for the acquisition of properties. The amount due from our related company has been subsequently settled in full before [REDACTED].

The amount due from our director is unsecured, interest-free and repayable on demand except that the amount due from our director in the amount of appropriately HK\$10.0 million as at 31 March 2014 was interest-bearing at a rate of 2% per annum. The net amount due from a director amounted to [38.2] million was fully settled [before [REDACTED]].

Pledged Bank Deposits

Our pledged bank deposits represent deposit pledged to banks to secure the banking facilities granted to our Group. The balances of our pledged bank deposits were approximately HK\$[1] million and HK\$[1.0] million as at 31 March 2015 and 30 September 2015, respectively.

Bank Balances and Cash

Our bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less. Bank balances and cash amounted to approximately HK\$3.3 million, HK\$5.9 million and HK\$13.6 million as at 31 March 2014 and 2015, and six months ended 30 September 2015 respectively. The increase in bank balances and cash was primarily due to increase in cash generated from operations, and increase in bank borrowings.

Trade and Other Payables

Trade payables primarily include amounts payable to suppliers of materials and subcontractors of our Group. Retention payables represent retention monies withheld to subcontractors. The retention monies are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the contracts with subcontractors. Other payables, accruals and deposits received include salaries payable and provision of construction industry levy.

FINANCIAL INFORMATION

The table below sets out the breakdown of our trade and other payables at each of the reporting date as stated:

	At 31 March		At
	2014	2015	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i>
			<i>HK\$'000</i>
Trade payables	21,410	42,873	43,878
Bills payables	1,576	8,230	4,283
	22,986	51,103	48,161
Other payables, accruals and deposits received	7,015	8,017	6,818
Retention payables	1,884	2,687	3,292
	31,885	61,807	58,271

Trade payables

The trade and bills payables are generally affected by including, but not limited to, the amounts of work performed by our sub-contractors, materials provided by our suppliers, timing of payment invoices received from our sub-contractors and/or suppliers, and credit periods granted by our sub-contractors and/or suppliers. The credit period granted by our sub-contractor is normally 30 to 45 days after issuance of invoice.

The balance of trade and bills payables increased from approximately HK\$23.0 million as at 31 March 2014 to approximately HK\$51.1 million as at 31 March 2015. The increase was mainly due to increase in subcontracting charges incurred and materials purchased payable as a result of increase in revenue.

The slight decrease in trade and bill payables as at 30 September 2015 to approximately HK\$48.2 million as compared to 31 March 2015 was mainly attributable to the decrease in bills payable for material suppliers.

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

	At 31 March		At
	2014	2015	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i>
			<i>HK\$'000</i>
0–30 days	18,811	36,208	26,343
31–60 days	1,498	1,183	4,324
61–90 days	704	99	4,108
Over 90 days	397	5,383	9,103
	21,410	42,873	43,878

FINANCIAL INFORMATION

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

	Year ended 31 March		Six months ended
	2014	2015	30 September 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables turnover days	47	36	60

Our turnover days of trade payables (comprising our payables to suppliers and payables to sub-contractors) were approximately [47] days, [36] days and [60] days as at 31 March 2014 and 2015 and 30 September 2015, respectively. Due to complexity of certain projects undertaken by the sub-contractor, it has taken us longer time to assess and agree on value of the additional work performed. As a result, the number of trade payables turnover day increased to 60 days for six months ended 30 September 2015.

Other payables, accruals and deposits received

	At 31 March		At
	2014	2015	30 September 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other payables and accruals	6,715	6,491	6,818
Deposits received	[300]	[1,526]	[—]
	7,015	8,017	6,818

Other payables and accruals

Other payables and accruals include the provision on liability about the joint venture agreement with an independent third party in 2003 and provision of construction industry levy. The balance of other payables and accruals remained stable at approximately HK\$6.7 million as at 31 March 2014 and approximately HK\$6.5 million as at 31 March 2015.

The balance of accruals increased from approximately HK\$6.5 million as at 31 March 2015 to approximately HK\$6.8 million as at 30 September 2015. The increase was mainly due to increase in provision of construction industry levy.

Deposits received

Deposits received as at 31 March 2014 mainly represents the deposit paid by one particular customer. During the year ended 31 March 2015, the Group received deposit of approximately HK\$1.5 million for the sale of an investment property, which was completed during the six months ended 30 September 2015.

Retention payables

Retention payables mainly represent the amounts we withhold from progress payments to our sub-contractors in the range of 5% to 10% of the respective payment amount. Such retention money is released to our sub-contractors upon completion of the defect liability period in accordance with the terms and conditions of the relevant sub-contract. Therefore, a significant portion of retention payables

FINANCIAL INFORMATION

remained outstanding as at each balance sheet date. In line with the progress of our construction projects and the increase in our retention receivables, our retention payables increased from approximately HK\$1.9 million as at 31 March 2014 to approximately HK\$2.7 million as at 31 March 2015. As at the Latest Practicable Date, 20.7% of the other payables, accrued and deposits received as at 30 September 2015 were subsequently settled.

Tax liabilities

Our Group filed Profits Tax Return for the year of assessment 2013/14 with audited financial statements for the year ended 31 March 2014 and tax computation prepared by predecessor auditor. The Inland Revenue Department ("IRD") accepted the tax return and computation and raised assessment per return.

In preparation of the financial information of the Group for the Track Record Period, the management of the Company had identified errors, being mainly accounting errors in relation to the recognition of the contract revenue and the corresponding cost, in the statutory financial statements of the Group's subsidiary for the years prior to and the year ended 31 March 2015, where certain revenue and the corresponding cost recognised in financial years ended 31 March 2014 and 2015 should be recognised in the financial year ended 31 March 2014. Relevant adjustments have been made to the revenue and cost of services of the Group for the year ended 31 March 2014, and relevant adjustments shall be made to the income tax expenses. As a result of the foregoing and taking into account of materiality, the tax undercharged for the year ended 31 March 2014 periods of approximately HK\$[230,638] have been provided in the profit or loss of the year ended 31 March 2014. Such amount of undercharged is subject to final assessment of the IRD.

In this connection, Edwin Yeung & Company (CPA) Limited, the Group's tax adviser, has issued an independent Hong Kong tax opinion (the "Tax Opinion") as to the potential tax penalty resulting from the tax undercharged for the year ended 31 March 2014 which amounted to approximately HK\$[230,638]. Based on the Tax Opinion, Edwin Yeung & Company (CPA) Limited opines that, given that the filing to the IRD for tax reassessment is on voluntary basis, the IRD should categorise the case as voluntary disclosure. It is further opined in the Tax Opinion that the IRD is likely to assess the case as "Recklessness" which according to the Penalty Policy from the IRD website, the potential tax penalty shall be at 10% of the aggregated tax undercharged plus interest, being approximately HK\$[23,000] plus interest, whereas the maximum tax penalty is [45]% of the aggregated tax undercharged, being approximately HK\$[103,787]. Based on the Tax Opinion, the potential tax penalty is unlikely to reach the maximum amount under the category of "Recklessness" and the potential tax penalty is expected to be approximately HK\$[23,000], being [10]% of the aggregated tax undercharged, plus interest. Based on the Tax Opinion, the management of the Company considered that the amount of potential tax penalty that might be imposed by the IRD is immaterial, and no provision for such amount has been made to the financial information of the Group for the Track Record Period accordingly. The Group made a voluntary filing to the IRD for tax reassessment for the relevant years of assessment on 15 December, 2015. The Group will duly settle the reassessed income tax balance in accordance with the requirement of the IRD.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Our Group had met its liquidity requirements principally through a combination of internal resources, borrowings, bank overdrafts, finance leases and advances from director and related parties during the Track Record Period. Our Group's principal uses of cash have been, and are expected to continue to be, operational costs and investing activities

	As at 31 March		As at 30 September 2015	As at 31 October 2015
	2014	2015	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)			
Current assets				
Trade and other receivables	44,757	70,906	72,242	[75,391]
Pledged deposit	13,388	14,259	10,766	[10,766]
Amounts due from customers of contract work	13,829	11,547	12,245	[15,257]
Amount due from related companies	15,793	15,831	15,882	[15,822]
Amount due from a director	9,629	32,727	41,136	[41,322]
Pledged bank deposit	—	1,007	1,010	[—]
Bank balances and cash	3,280	5,874	13,580	[19,793]
Non-current asset held for sale	[—]	[4,600]	[—]	[—]
	<u>100,676</u>	<u>156,751</u>	<u>166,861</u>	<u>[178,351]</u>
Current liabilities				
Trade and other payables	31,885	61,807	58,271	[53,929]
Amounts due to customers of contract work	31,670	34,112	44,534	[59,451]
Amounts due to a director	2,397	2,858	2,858	[2,858]
Obligations under finance leases	1,248	3,172	2,912	[2,771]
Bank borrowings, secured	39,276	56,354	49,288	[48,845]
Provision of taxation	58	1,949	3,823	[4,158]
	<u>106,534</u>	<u>160,252</u>	<u>161,686</u>	<u>[172,012]</u>
Net current (liabilities)/ assets	<u>(5,858)</u>	<u>(3,501)</u>	<u>5,175</u>	<u>[6,339]</u>

Our current assets mainly included trade receivables and other receivables, amounts due from customers of contract work, amount due from a director, amounts due from related companies, pledged deposit, pledged bank deposits and bank balances and cash. Our current liabilities mainly included trade and other payables, amounts due to customers of contract work, tax payable, obligations under finance leases and bank borrowings.

As at 31 March 2014 and 2015, our Group recorded net current liabilities amounted to approximately [HK\$5.9] million and approximately HK\$[3.5] million respectively.

FINANCIAL INFORMATION

Our Group's net current liabilities during the Track Record Period were largely due to bank borrowings classified as current liabilities due to "repayable on demand" clauses in the relevant facility agreements. The loans mainly included mortgage loans for our Group's land and buildings, SME loans and revolving loans for business use. If our Group's bank borrowings which were not scheduled to be repaid within a year were excluded from the aforementioned net current liabilities figures, our Group's adjusted net current assets (liabilities) position would be as follows: net current assets of approximately HK\$10.0 million and HK\$14.1 million as at 31 March 2014 and 31 March 2015 respectively and net current assets of HK\$20.0 million as at 30 September 2015.

The decrease of our net current liabilities as at 31 March 2015 as compared to 31 March 2014 was mainly due to the increase in our trade and other receivables of approximately HK\$26.1 million which were mainly caused by several substructure and superstructure projects completed near to the financial year ended 31 March 2015 and were not due for settlement as at 31 March 2015 and increase in amounts due from a director of approximately HK\$23.0 million.

Our net current assets incurred as at 30 September 2015 as compared to 31 March 2015 mainly due to (i) the decrease in trade and other payables of approximately HK\$3.5 million (ii) the decrease of bank borrowings from approximately HK\$56.3 million as at 31 March 2015 to approximately HK\$49.3 million as at 30 September 2015, (iii) the increase in amount due from a director of approximately HK\$8.4 million, and partly offset by the increase of amounts due to customers of contract work of approximately HK\$10.4 million.

Based on the unaudited management accounts of our Group as at 31 October 2015, the net current assets amounted to approximately HK\$[6.3] million. The increase as compared with 30 September 2015 was mainly due to net profit contributed in October 2015.

CASH FLOWS

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

	Year ended 31 March		As at
	2014	2015	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i>
			<i>HK\$'000</i>
Net cash (used in)/from operating activities	(5,453)	34,029	20,649
Net cash used in investing activities	(13,641)	(44,029)	(3,386)
Net cash from/(used in) financing activities	8,156	16,108	(9,557)
Net (decrease) increase in cash and cash equivalents	(10,938)	6,108	7,706
Cash and cash equivalents at beginning of the year/period	10,704	(234)	5,874
Cash and cash equivalents at end of the year/period	(234)	5,874	13,580

FINANCIAL INFORMATION

Net cash (used in)/from operating activities

Net cash from operating activities primarily consisted of profit before taxation adjusted for non-cash items, such as depreciation of plant and equipment, gain on disposal of plant and equipment, and finance costs. We primarily derive our cash inflows from the receipt of payments from customers for contract work. Our cash used in operations principally comprises payment of sub-contracting fees, purchases of construction materials, staff costs and insurance expenses.

For the year ended 31 March 2014, our net cash used in operating activities was approximately HK\$5.5 million, primarily as a result of the combined effects of (i) approximately HK\$14.2 million operating cash flows before movements in working capital; (ii) the increase in net amounts due from customers of contract work of approximately HK\$4.4 million; (iii) the increase in trade and receivables of approximately HK\$30.9 million; and (iv) the increase in pledged deposits of approximately HK\$6.0 million. This was partially offset by (i) the increase in amounts due to customers of contract works of approximately HK\$12.5 million; (ii) the increase in trade and other payables of approximately HK\$10.9 million and (iii) the income tax paid of approximately HK\$1.6 million.

For the year ended 31 March 2015, our net cash from operation activities was approximately HK\$34.0 million, primarily as a result of the combined effects of (i) approximately HK\$28.4 million operating cash flows before movements in working capital; and (ii) the increase in trade and other receivables of approximately HK\$26.1 million. This was partially offset by (i) decrease in amounts due from customers of contract work of approximately HK\$2.3 million; (ii) the increase in amounts due to customers of contract work of approximately HK\$2.4 million; (iii) the increase in trade and other payables of approximately HK\$29.9 million; (iv) the income tax paid of approximately HK\$2.0 million.

For the six months ended 30 September 2015, our net cash from operation activities was approximately HK\$20.6 million, primarily as a result of the combined effects of (i) approximately HK\$12.3 million operating cash flows before movements in working capital; (ii) the decrease in pledge deposits of approximately HK\$3.4 million; and (iii) the increase in amounts due to customers of contract works of approximately HK\$10.4 million. This was partially offset by (i) increase in amounts due from customers of contract work of approximately HK\$0.7 million; (ii) the increase in trade and other receivables of approximately HK\$1.3 million and (iii) the decrease in trade and other payables of approximately HK\$3.5 million.

Net cash used in investing activities

For the year ended 31 March 2014, our net cash used in investing activities was approximately HK\$13.6 million. The amount was mainly attributable to the advance to a director of approximately HK\$11.3 million, and purchase of property, plant and equipment of approximately HK\$2.3 million.

For the year ended 31 March 2015, our net cash from investing activities was approximately HK\$44.0 million, mainly attributable to the placement of pledged bank deposits of approximately HK\$1.0 million, purchase of property, plant and equipment of approximately HK\$14.8 million and advance to a director of approximately HK\$28.2 million.

For the six month ended 30 September 2015, our net cash from investing activities was approximately HK\$3.4 million, mainly attributable to advance to a director of approximately HK\$8.5 million, and partially offset by the disposal of property, plant and equipment of approximately HK\$5.0 million

FINANCIAL INFORMATION

Net cash from/(used in) financing activities

For the year ended 31 March 2014, our net cash from financing activities was approximately HK\$8.2 million, mainly attributable to proceeds from bank borrowing of approximately HK\$27.4 million, and partially offset by the repayment of bank borrowing of approximately HK\$17.7 million, interest paid on bank loans and overdraft and finance lease approximately HK\$1.0 million, and payment of finance lease of approximately HK\$0.5 million.

For the year ended 31 March 2015, our net cash from financing activities was approximately HK\$16.1 million, mainly attributable to proceeds from bank borrowing of approximately HK\$25.1 million, and partially offset by the repayment of bank borrowing of approximately HK\$4.5 million, interest paid on bank loans and overdraft and finance lease of approximately HK\$1.7 million, and payment of finance lease of approximately HK\$2.8 million.

For the six months ended 30 September 2015, our net cash used in financing activities was approximately HK\$9.6 million, mainly attributable to the repayment of bank borrowing of approximately HK\$7.1 million, interest paid on bank loans and overdraft and finance lease of approximately HK\$0.9 million, and payment of finance lease of approximately HK\$1.6 million.

INDEBTEDNESS

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

	As at 31 March		As at 30 September 2015	As at 31 October 2015
	2014	2015	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Current				
Obligation under finance leases	1,248	3,172	2,912	2,955
Bank borrowing, secured	39,276	56,354	49,288	48,834
Amount due to a director	2,397	2,858	2,858	[2,858]
	42,921	62,384	55,058	54,647
Non-current				
Obligation under finance leases	2,739	2,790	1,484	1,299
	45,660	65,174	56,542	55,946

As at 31 October 2015 for the purpose of this indebtedness statement, our Group's indebtedness consisted of bank borrowings of approximately HK\$[48.8] million; amount due to a director of approximately HK\$2.9 million and finance lease payables of approximately HK\$[4.3] million. There are no material covenants relating to our Group's outstanding debts. As at 31 March 2014 and 2015 and 30 September 2015, our Group had total borrowings (comprising bank overdrafts, borrowings, finance lease payables and amount due to a director) of approximately HK\$45.7 million, HK\$65.2 and HK\$56.5 million respectively. The increase in total indebtedness as at 31 March 2015 as compared with 31 March 2014 was primarily due to additional bank borrowing drawn down which were utilized for payments to subcontractors and purchase of materials. The decrease in total indebtedness as at 30 September 2015 as compared with 31 March 2015 was mainly due to the repayment of bank borrowing.

FINANCIAL INFORMATION

As at 31 October 2015, our Group had a total available banking facilities of approximately HK\$[95.2] million, of which approximately HK\$[53.0] million was utilised and approximately HK\$[42.2] million was unrestricted and unutilised. We have not experienced any difficulties in obtaining bank loans to finance our operation during the Track Record Period.

Our Group will continue to seek bank financing for new projects upon award of new contracts. We will apply for new financing with banks upon award of new contract(s) in order to strengthen the working capital for daily operation and to meet the working capital for new contracts. We have not experienced any difficulties in obtaining bank loans to finance our operation during the Track Record Period.

Our Directors confirmed we had not materially defaulted or delayed in payments of trade and non-trade payables and borrowings, and/or breaches of finance covenants during the Track Record Period and up to the Latest Practicable Date.

Bank Borrowings

Bank borrowings of our Group contain a repayment on demand clause. Accordingly, all borrowings are classified as current liabilities in the combined statements of financial position. The following table sets out borrowings based on scheduled repayment dates:

	As at 31 March		As at 30 September	As at 31 October
	2014	2015	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
On demand or within one year	23,436	38,792	34,465	34,469
More than one year, but not exceeding two years	4,443	5,200	4,872	4,817
More than two years, but not exceeding five years	10,264	8,889	6,655	6,076
More than five years	<u>1,133</u>	<u>3,473</u>	<u>3,296</u>	<u>3,472</u>
	<u>39,276</u>	<u>56,354</u>	<u>49,288</u>	<u>48,834</u>

Our Group had bank borrowings of approximately HK\$[39.2] million, HK\$[56.3] million, HK\$[49.3] million and HK\$[48.8] million as at 31 March 2014 and 2015, 30 September 2015 and 31 October 2015, which were used for financing of our Group's construction projects and overall expansion of our business.

All of our Group's bank and other borrowings are denominated in Hong Kong dollar and United States dollar and the effective interest rates were as follows:

	As at 31 March		As at 30 September	As at 31 October
	2014	2015	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Effective interest rate:				
Variable-rate bank loans	0.91% to <u>3.31%</u>	0.91% to <u>3.58%</u>	0.94% to <u>3.25%</u>	[0.94%] to <u>3.02%</u>

FINANCIAL INFORMATION

As at the end of each of Relevant Periods unless stated otherwise, our Group’s banking facilities are secured by:

- (i) personal guarantees of a director of the Company;
- (ii) time deposit;
- (iii) leasehold land and buildings and investment property of the Group;
- (iv) certain properties of related companies and a director of the Company;
- (v) certain properties of a director’s spouse as at 31 March 2014; and
- (vi) loan guarantees issued by the Government of the Hong Kong Special Administrative Region.

The indemnity provided by the director will be fully released, discharged or replaced by corporate guarantee or other securities provided by the Group and guarantees under the Special Loan Guarantee Scheme operated by the Government of the Hong Kong Special Administrative Region will be released and repaid in full upon [REDACTED] of the Company’s shares on the Stock Exchange.

OBLIGATION FOR FINANCE LEASE

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

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

	As at 31 March		As at 30 September	As at 31 October
	2014	2015	2015	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
				(unaudited)
Minimum lease payment payable				
Not later than one year	1,379	3,388	3,049	3,075
Later than one year but not later than five years	<u>2,855</u>	<u>2,872</u>	<u>1,516</u>	<u>1,332</u>
	4,234	6,260	4,565	4,407
Future finance charges on finance lease	<u>(247)</u>	<u>(298)</u>	<u>(169)</u>	<u>(153)</u>
Present value of finance lease liabilities	<u><u>3,987</u></u>	<u><u>5,962</u></u>	<u><u>4,396</u></u>	<u><u>4,254</u></u>

The aggregate net carrying amounts of the Group’s office equipment and motor vehicles held under finance leases and classified as property, plant and equipment as at 31 March 2014 and 2015, 30 September 2015 and 31 October 2015 amounted to HK\$[3.9] million, HK\$[7.0] million, HK\$[5.9] million and HK\$[5.7] million respectively. The Group’s finance lease liabilities are subject to personal guarantees provided by [Mr. Ng]. The Directors confirmed that the outstanding finance lease liabilities would be settled by our net proceeds from the [REDACTED] from the Latest Practicable Date to 30 September 2016. For details, please refer to the section headed “Future plans and use of proceeds” in this document.

FINANCIAL INFORMATION

CONTINGENT LIABILITIES

Guarantees

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

	As at 31 March		As at 30 September	As at 31 October
	2014	2015	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate value of the surety bonds issued in favour of customers	34,469	38,340	35,454	35,454 (unaudited)

The directors are of the opinion that it is not probable that the insurance companies would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts. Accordingly, no provision for our Group’s obligations under the guarantees has been made as at the end of each of the Relevant Periods. As at the Latest Practicable Date, approximately HK\$48.0 million of surety bonds were given by various insurance companies in favour of our customers.

Ching Lee Engineering and/or the director(s) of Ching Lee Engineering, including Mr. Ng, have unconditionally and irrevocably agreed to indemnify the insurance companies for claims and losses the insurance company may incur in respect of the surety bonds. The indemnity provided by Mr. Ng will be fully released, discharged or replaced by corporate guarantee or other securities provided by the Group upon the [REDACTED]. For details, please refer to the paragraph headed “Relationship with the Controlling Shareholders — Financial independence” in this document.

Litigation

Our Group was involved in certain litigation cases, details of which are set out in Note [30] to the Accountant Report.

DISCLAIMER

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

FINANCIAL INFORMATION

issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

ANALYSIS OF SELECTED FINANCIAL RATIO

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

Selected Ratios	Notes	Year ended 31 March		Six months ended
		2014	2015	30 September 2015
Gross profit margin	1	17.2%	12.9%	14.6%
Net profit margin	2	4.7%	4.9%	5.1%
Gearing ratio	3	602.8%	310.0%	192.0%
Current ratio	4	0.9	1.0	1.0
Return on equity	5	88.0%	135.5%	32.7%
Return on assets	6	9.8%	12.3%	4.2%

Notes:

1. The gross profit margin is calculated by dividing the gross profit by the revenue for the respective year multiplied by 100%.
2. The net profit margin is calculated by dividing the net profit by the revenue for the respective year multiplied by 100%.
3. The gearing ratio is calculated by dividing total obligations under finance leases and total bank borrowings with total equity as at the end of respective periods multiplied by 100%.
4. The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective periods.
5. Return on equity equals the net profit attributable to Shareholders divided by the average balance of total equity as at the end of the respective periods multiplied by 100%.
6. Return on assets is calculated by the net profit for the year divided by average balance of total assets as at the end of the respective periods multiplied by 100%.

Gross profit margin

Our gross profit margin remained relatively stable at approximately 17.2%, 12.9% and 14.6% for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015. For further information in relation to our gross profit margin, please refer to the paragraph headed “Management’s Discussion and Analysis Of Financial Condition and Results of Operations — Gross Profit” in this section.

Net profit margin

Our net profit margins were approximately 4.7%, 4.9% and [5.1%] for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015. The net profit remained relatively stable during the Track Record Period.

FINANCIAL INFORMATION

Gearing ratio

The gearing ratios recorded were 602.8%, 310.0% and 192.0% as at 31 March 2014 and 2015 and the six months ended 30 September 2015 respectively. Our Group's gearing ratio substantially improved from 602.8% as at 31 March 2014 to 310.0% as at 31 March 2015, which was mainly attributable to the increase in net profit to approximately HK\$18.5 million as at 31 March 2015 from approximately HK\$9.4 million as at 31 March 2014.

The improvement in gearing ratio for the six month ended 30 September 2015 to 192.0% was attributable to (i) the decrease in bank borrowings and overdraft to HK\$49.3 million as at 30 September 2015 from approximately HK\$56.3 million as at 31 March 2015; (ii) further improvement to net profit approximately HK\$7.9 million for the six months ended 30 September 2015.

Current ratio

The current ratio maintained at a relatively stable level at 0.9 times, 1.0 times, 1.0 times as at 31 March 2014 and 2015 and the six months ended 30 September 2015.

Return on equity

Our return on equity ratio increased to approximately 135.5% for the year ended 31 March 2015 from approximately 88.0% for the year ended 31 March 2014, which was mainly due to decrease in declaration of dividends from approximately HK\$16.5 million for the year ended 31 March 2014 to approximately HK\$5.6 million for the year ended 2015, which offset the increase in profit for the year by approximately HK\$9.4 million for the year ended 31 March 2014 to approximately HK\$18.5 million for the year ended 31 March 2015.

Return on asset

Our return on total assets ratio increased to approximately 12.3% for the year ended 31 March 2015 from approximately 9.8% for the year ended 31 March 2014, which was mainly due to the significant increase in profit for the year by approximately HK\$ 9.1 million in the corresponding period.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures for the purchase of buildings and machineries. Our capital expenditures were approximately HK\$[4.4] million, HK\$[19.6] million and HK\$nil for the years ended 31 March 2014 and 2015, and 30 September 2015 respectively. The increase during the year ended March 2015 was mainly for the purchase of buildings and machineries of approximately HK\$[18.2] million during the year ended 31 March 2015.

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

FINANCIAL INFORMATION

COMMITMENTS

Operating lease commitments

During the Track Record Period, our Group leases office premise under operating lease. The lease runs for an initial period of one to two years and are non-cancellable. The total future minimum lease payments under these leases are due as follow:

	At 31 March 2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	At 30 September 2015 <i>HK\$'000</i>
Within one year	358	1,131	666
Later than one year and not more than five years	194	247	100
	552	1,378	766

OFF BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

SUFFICIENCY FOR WORKING CAPITAL

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

We expect to finance our working capital requirements for the 12 months following the date of this document with the following sources of funding:

- cash inflows generated from our operating activities;
- proceeds from bank loans, including short-term and long-term bank loans;
- the cash and cash equivalents available; and
- proceeds to be received by our Group from the [REDACTED].

CAPITAL MANAGEMENT

Our Group actively and regularly reviews and manages our capital structure in order to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. Our Group monitors our capital structure on the basis of the gearing ratio.

FINANCIAL INFORMATION

FINANCIAL RISK MANAGEMENT

Our Group is exposed to interest rate risk, credit risk and liquidity risk in the normal course of business. Further details on our financial risk management policies and practices are set out in Note [33] to the financial information in the Accountants’ Report.

SUBSEQUENT EVENTS

For significant events that took place subsequent to 30 September 2015, please refer to Note [34] to the Accountants’ Report set forth in Appendix I to this document.

MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraph headed “[REDACTED] Expenses” in this section and the paragraph headed “Recent Development” in the “Summary” section of this document, our Directors confirmed that since 30 September 2015 and up to the document date, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operating position; (ii) there was no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I in this document.

DIVIDEND POLICY

For the years ended 31 March 2014 and 2015, the interim dividends amounting to approximately HK\$16.5 million and HK\$5.6 million respectively represented interim dividends declared by a group entity to its then shareholder. [The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.]

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

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

DISTRIBUTABLE RESERVES

Our Company was incorporated on 16 November 2015 and therefore no distributable reserves were available for distribution to the Shareholders as at 30 September 2015.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in note [27] of the Accountants' Report in Appendix I to this document, our Directors believe that such transactions were conducted on normal commercial terms and such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interests of our Shareholders as a whole.

[REDACTED] EXPENSES

The Group expects that the total [REDACTED] expenses, which is non-recurring in nature, will amount to approximately HK\$[REDACTED] of which the Group is expected to bear approximately HK\$[REDACTED] and approximately HK\$[REDACTED] will be borne by [REDACTED]. The Group did not record any [REDACTED] expenses during the Track Record Period. The Group expects to recognize approximately HK\$[REDACTED] in the combined statements of comprehensive income for the year ending 31 March 2016; while approximately HK\$[REDACTED] to be directly attributable to the issue of new Shares and accounted for as a deduction from equity upon successful [REDACTED] under the relevant accounting standards. Accordingly, the financial results of the Group for the year ending 31 March 2016 are expected to be affected by the estimated expenses in relation to the [REDACTED]. Such [REDACTED] expenses is a current estimate for reference only and the final amount to be charged to the profit and loss account of the Group for the year ending 31 March 2016 and the amount to be deducted from the Group's capital is subject to change.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible of our Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the [REDACTED] as if it had taken place on [30 September 2015]. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group after the [REDACTED] or at any future dates.

DISCLOSURE REQUIRED UNDER THE [REDACTED] RULES

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