You should read this section in conjunction with the Group's audited combined financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this document. The Group's financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. You should read the entire accountants' report and not merely rely on the information contained in this section.

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

OVERVIEW

We are principally engaged in the provision of concrete demolition services in Hong Kong and Macau mainly as subcontractor. During the Track Record Period, our revenue was mainly derived from undertaking concrete demolition works. Our customers primarily include contractors in various types of construction and civil engineering projects in Hong Kong and construction projects in Macau.

During the Track Record Period, suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue to carry on our business mainly include (i) our subcontractors; (ii) suppliers of machinery; (iii) suppliers of consumables such as saw blades, cutting wires and core bits required for performing concrete demolition works as well as machinery parts for our in-house repair and maintenance; and (iv) suppliers of other miscellaneous services such as the transportation of machinery and the rental of machinery such as electricity generators for powering other machinery as well as loaders, excavators, forklifts and crane lorries for the lifting and moving of cut-out sections of concrete and other demolition debris and materials.

For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, respectively, we undertook 160, 232, 130 and 86 jobs in Hong Kong and Macau. For further information about our Group's business and operations, please refer to the section headed "Business" of this document.

RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

Subsequent to 30 June 2016, our Group was awarded four contracts for demolition works in Hong Kong with an aggregate contract sum of over HK$10 million. Our Directors, based on their best estimations, expect these projects to be substantially completed in the year of 2017. Our average monthly revenue for the two months ended 31 August 2016 decreased by approximately 18.0% as compared to the average monthly revenue for the six months ended 30 June 2016. The decrease in monthly revenue was mainly because (i) the actual progress of job C11 was slower than anticipated in the two months ended 31 August 2016, and (ii) in accordance with the job schedule of the main contractor of job C10, its job site was preoccupied with the works by other contractors during the two months ended 31 August 2016, as such, only minimal amount of works were undertaken by us.

Our gross profit margin for the two months ended 31 August 2016 was slightly higher than that for the six months ended 30 June 2016 by 1.5 percentage point, since our machinery rental cost and transportation cost were relatively lower in the two months ended 31 August 2016. Compared with the two months ended 31 August 2016, our machinery rental cost and transportation cost were relatively higher for the six months ended 30 June 2016 because we had hired additional machineries and engaged additional transportation services in relation to job C10 in order to remove the bulky and weighted concrete demolished on site resulted from the job location, subject to certain demolition requirements from main contractor. As the works undertaken for job C10 during the two months ended 31 August 2016 required relatively less additional machineries and transportation services, the cost incurred in this regard has decreased accordingly.

It is expected that the net profit and the net profit margin for the year ending 31 December 2016 will [decrease] as compared with the year ended 31 December 2015 mainly because of (i) the increase in machinery rental cost and transportation cost in relation to job C10; (ii) the increase in staff cost and entertainment expense; (iii) the listing expense of approximately HK$11.1 million expected to be incurred for the year ending 31 December 2016.

Subsequent to 30 June 2016, in [November] 2016, interim dividends of approximately HK$[7.0] million [were] declared.

SUMMARY RESULTS OF OPERATIONS

The following table sets out a summary of the audited financial results of our Group for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016. For more detailed information, please refer to the Accountants' Report in Appendix I to this document.

Combined statements of profit or loss and other comprehensive income

	Year ended 31 December 2014 *HK$'000*	**Year ended 31 December 2015** *HK$'000*	**Six months ended 30 June 2015** *HK$'000* (Unaudited)	**Six months ended 30 June 2016** *HK$'000*
Revenue	117,129	120,072	51,127	60,744
Cost of sales	(84,842)	(82,006)	(34,489)	(43,035)
Gross profit	32,287	38,066	16,638	17,709
Other income	262	87	77	705
Administrative and other operating expenses	(19,707)	(19,999)	(8,183)	(14,892)
Operating profit	12,842	18,154	8,532	3,522
Finance costs	(366)	(479)	(337)	(148)
Profit before income tax	12,476	17,675	8,195	3,374
Income tax expense	(2,200)	(3,478)	(1,251)	(1,337)
Profit and total comprehensive income for the year/period attributable to owners of the Company	10,276	14,197	6,944	2,037
Attributable to:				
Owners of the Company	9,129	14,197	6,944	2,037
Non-controlling interests	1,147	–	–	–
	10,276	14,197	6,944	2,037
Basic and diluted earnings per share	HK cents 1.81	HK cents 2.82	HK cents 1.38	HK cents 0.40

BASIS OF PREPARATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the laws of the Cayman Islands on 5 January 2015. Through a corporate reorganisation as further explained in the section headed "History and development – Our Group structure" to this document (the "**Reorganisation**"), our Company became the holding company of the subsidiaries now comprising our Group on [[●] 2016]. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows are prepared as if the current group structure had been in existence throughout the Track Record Period.

The principal activities of the Group are the provision of concrete demolition services in Hong Kong ("**HK Concrete Demolition Business**") and Macau mainly as subcontractor. The Group formerly carried out the HK Concrete Demolition Business through Kingland Concrete, a limited liability company incorporated in Hong Kong which is controlled by Mr. Chan and Mr. Cheung (collectively, the "**Controlling Parties**"). Other than the HK Concrete Demolition Business, Kingland Concrete also holds the interest in 42% of the issued capital of Shanghai Longxin. As part of the Reorganisation, on 26 January 2015, the Business Transfer Agreement was entered into between Kingland Concrete and Kingland (Sino), pursuant to which Kingland Concrete agreed to transfer its business, assets (save and except for the interest in 42% of the issued share capital of Shanghai Longxin), employees and liabilities to Kingland (Sino) (the "**Transfer of Business**"). As the predecessor and successor companies carry out the HK Concrete Demolition Business have been under common control by the Controlling Parties throughout the Track Record Period or since their respective date of incorporation where it is a shorter period, the financial information of the Group during the Track Record Period has been prepared to present the financial position and operating results of the HK Concrete Demolition Business throughout the Track Record Period as a continuation of existing business from the perspective of the Controlling Parties.

The combined statements of financial position as at 31 December 2014 and 2015 and as at 30 June 2016, present the assets and liabilities of the companies now comprising our Group, as if the current group structure had been in existence at those dates. The combined financial statements, which are presented in Hong Kong dollars, have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), the disclosure requirements of the Listing Rules and the Hong Kong Companies Ordinances. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations.

PRINCIPAL FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF THE GROUP

Our financial condition 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 headed "Risk Factors" in this document.

Market demand

Our results of operations are directly affected by our revenue which depends on the market demand for our concrete demolition services. The market demand for different concrete demolition techniques and different types of machinery or equipment may change continuously. If the number of private and/or public sector projects in Hong Kong and Macau decreases significantly, the availability of concrete demolition jobs may decrease and our businesses in general and our results of operations may be adversely and materially affected. During the Track Record Period, our revenue was significantly influenced by the size and number of concrete demolition projects undertaken by us.

In addition, concrete demolition projects are one-off projects which are not recurrent in nature. There is no guarantee that our customers will provide us with new contracts or that we will secure new customers.

Pricing of our concrete demolition services

We generally set our tender and/or quotation price based on our estimated costs to be incurred plus a certain mark-up margin. We estimate our cost of undertaking a concrete demolition job by reference to various factors including but not limited to (i) the estimated number and types of workers required; (ii) the difficulties of the works involved; (iii) the demolition methods and techniques expected to be applied; (iv) the estimated number and types of machines required; (v) the availability of our manpower and resources; (vi) the completion time requested by customers; (vii) the need for subcontracting; (viii) the overall cost in undertaking the job; (ix) the past prices offered to the customer; and (x) the prevailing market conditions. While it is our objective to charge a reasonable price to maximise our Shareholders' value, offering a less competitive price than our competitors may render our quotation unsuccessful. Offering a price below the actual cost may on the other hand erode or eliminate our gross profit and affect our financial results. Failure to balance the various factors in determining price will adversely affect our financial performance and results of operation.

Unexpected fluctuation in contract costs

We secured new businesses mainly through direct invitation for quotation or tender by customers. We generally prepare our tenders and/or quotations based on our estimated costs to be incurred plus a certain mark-up margin. The main components of our estimated project costs are direct labour costs and subcontracting charges. We purchase materials from our suppliers, such as consumables such as saw blades, cutting wires and core bits as well as machinery partes which are in turn dependent on the prices of the underlying commodities such as steel reinforcements. In addition, we also engage subcontractors to carry out the site works delegated by us. The costs of sales may deviate from our estimation. There may be fluctuations in the contract costs during the actual implementation of the project. In the event that the contract costs increase unexpectedly to the extent that our Group has to incur substantial extra costs without sufficient compensations, the financial performance and profitability of our Group will be adversely affected.

Listing Expenses

Our Directors estimate that the total amount of expenses in relation to the [REDACTED] is approximately HK$[24.9] million, of which approximately HK$[7.7] million is directly attributable to the issue of the [REDACTED] and is expected to be accounted for as a deduction from equity upon [REDACTED]. The remaining amount of approximately HK$[17.2] million, which cannot be so deducted, will be charged to profit or loss. Of the approximately HK$17.2 million which will be charged to profit or loss, approximately HK$1.7 million, HK$4.4 million and HK$5.1 million has been charged during the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 respectively, and approximately HK$6.0 million is expected to be incurred for the six months ending 31 December 2016.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Details of the principal accounting policies applied in the preparation of our financial information are set out in the Accountants' Report contained in Appendix I to this document.

The preparation of our financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires our management to exercise judgement in the process of applying the accounting policies of our Group. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following paragraph summarise the critical accounting policies and estimated applied in the preparation of our Group's financial information during the Track Record Period.

Revenue recognition

Our revenue is principally derived from fees for the provision of our concrete demolition services. Our revenue is recognized based on the stage of completion of jobs, provided that the stage of job completion and the gross billing value of the job can be measured reliably. We recognise our revenue during the Track Record Period based on the stage of completion when the relevant work performed can be measured reliably as evidenced by (i) receiving payment certificates from our customers; or (ii) issuing invoices to customers for which the relevant jobs have been completed. The stage of completion of a contract is established by reference to the percentage of work performed to date as evidenced by the payment certificate if the job has not been completed within the relevant reporting period. Variation orders are included in our Group's contract revenue when (i) it is probable that our customer will approve the variation orders and the amount of revenue arising from the variation orders; and (ii) the amount of revenue can be reliably measured.

Construction contracts in progress

Construction work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. The main components of our estimated project costs are direct labour costs and subcontracting charges. We purchase materials from our suppliers, such as consumables such as saw blades, cutting wires and core bits as well as machinery parts which are in turn dependent on the prices of the underlying commodities such as steel reinforcements. In addition, we also engage subcontractors to carry out the site works delegated by us.

Our Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within trade and retention receivables. Our Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Property, plant and equipment

The property, plant and equipment of our Group are stated at historical (including expenditure that is directly attributable to the acquisition of such items) cost less accumulated depreciation and accumulated impairment losses.

Our Group has investments in property, plant and equipment. We are required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period.

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

During the Track Record Period, our depreciation on property, plant and equipment was calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Plant and machinery	25%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

Our assets' residual values and useful lives were reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the combined statement of profit or loss and other comprehensive income.

Based on the accounting policies adopted by our Group, depreciation on machineries and equipment is calculated using the straight-lined method.

Depreciation on plant and machinery is calculated using the straight-line method at a rate of 25% to allocate their cost to their residual values over their estimated useful lives. We estimate the useful lives of plant and machinery in order to ascertain the amount of depreciation charges for each reporting period. Effects of subsequent repairs and maintenance on the plant and machinery and the probable future economic benefits associated with subsequent repairs and maintenance including those resulting from the possible enhancement of the useful period of the plant and machinery are impracticable to be measured upon reliably. Subsequent repairs and maintenance costs in respect of plant and machinery are thus charged to profit or loss during the financial period in which they are incurred and are not capitalised or included in the plant and machinery's carrying amount or otherwise recognised as assets to be depreciated. Subsequent repairs and maintenance costs and their associated effects including the possible enhancement of the useful period of the plant and machinery are therefore not taken in account when estimating the useful lives of plant and machinery for the purpose of determining the appropriate rate of depreciation of the initial purchase cost of the plant and machinery. Therefore, we applied such policy consistently throughout the Track Record Period notwithstanding that certain plant and machinery may remain useful after four years due to subsequent repairs and maintenance.

We perform annual reviews on the estimated useful lives of plant and machinery at the end of each reporting period based on the aforesaid policy.

Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. Our Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including decline in projected operating results, negative industry or economic trends and rapid advancement in technology. Our Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

Impairment of trade receivables

Our management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of our customers and the current market condition. Our management reassesses the provision at each statement of financial position date.

No impairment of trade receivable was made during the Track Record Period. Although some customers showed slower repayment, the Group has reviewed the payment history of the long-aged receivables. As no evidence of impairment of trade receivable has occurred, the Directors consider that no impairment is necessary.

Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, our management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the combined statement of profit or loss and other comprehensive income on a straight-line basis over the period of lease.

Our Group purchased certain machinery and motor vehicles through finance leases. Under the finance leases, our creditors purchased certain machineries and motor vehicles from the suppliers and leased back those machineries and motor vehicles to our Group at stipulated monthly rents in a fixed term. Under these finance leases, we were given options to purchase those machinery and motor vehicles at a nominal amount at the end of the lease term. Since the terms of these finance leases transfer substantially all the risks and rewards of ownership of the machinery and motor vehicles to our Group as the lessee, the relevant machinery and motor vehicles were accounted for as our Group's assets under the category of property, plant and equipment.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of our Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

The Group had no significant contingent liabilities at the end of each of 31 December 2014, 2015 and 30 June 2016.

Income tax

The tax expense during the Track Record Period comprised current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Our Group is subject to income tax in Hong Kong and Macau where we operate and generate taxable income during the Track Record Period. Hong Kong profits tax has been provided at the rate of 16.5% and Macau profits tax has been provided at the rate of 12% for the Track Record Period on the estimated assessable profit arising in or derived from the jurisdictions in which the entities operate for the year. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

During the Track Record Period, deferred income tax was recognised using the liability method, on temporary differences, arising between the tax bases of assets and liabilities and their carrying amounts in the financial information of our Group. However, the deferred tax liabilities are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

Deferred income tax assets of our Group are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Description of selected items of the Group's profit or loss and the comparison of results of operation for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016.

Revenue

Revenue represents contract revenue recognised from the provision of concrete demolition services to our customers in Hong Kong and Macau, amounted to approximately HK$117.1 million, HK$120.1 million, HK$51.1 million, and HK$60.7 million for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively. According to the Hong Kong Accounting Standard 11 ("**HKAS 11**") issued by the HKICPA, when the outcome of a construction contract can be estimated reliably, contract revenue and contract cost associated with the construction contract shall be recognised as revenue by reference to the stage of completion of the contract activity at the end of the reporting period. We recognise our revenue during the Track Record Period based on the stage of completion if the recognition criteria as set out in HKSA 11 are met. The stage of completion of a contract is established by reference to the percentage of work performed to date as evidenced by the payment certificate if the job has not been completed within the relevant reporting period. We recognise revenue when there is sufficient evidence to show that the relevant job (usually short-term job) has been completed within the same reporting period or the percentage of work performed to date of the relevant job as evidenced by the payment certificate.

Revenue from provision of concrete demolition services is recognised based on the stage of completion of the jobs, provided that the stage of jobs completion and the gross billing value of the jobs can be measured reliably. Progress billing is made according to the stage of job completion by reference to the work done as reviewed and approved by the customers. Generally, the stage of completion of a contract is established by reference to the percentage of work performed to date as evidenced by the payment certificate. Upon issuance of such certificates, the progress revenue is billed to customers and then become payable by customers, and the progress revenue is accounted for as contract receivables.

Depending on the nature and scale of the work, and terms of the contracts with customers, some customers may not issue a payment certificate to the Group after the relevant work has been completed by the Group. Accordingly, the Group recognises revenue based on invoice issued to the customers when the work has been completed.

Regarding the jobs the Group recognised revenue based on "invoice", the Group has satisfied itself that the relevant jobs have been completed by obtaining a job sheet or a completion memo. A job sheet is prepared by the Group stating the description of work, the commencement date and the completion date, signed by the customers to confirm the (work/ job/ relevant stage of job) has been completed. Where a job sheet counter-signed by the customer is not available, the Group will prepare the completion memo which is signed by our on-site foreman or project manager of the Group after performing on-site checking to confirm the completion of the job. The Group issues invoice upon receipt of such job sheet or completion memo.

Payment certificates issued by our customers do not necessarily cover period exactly up to the reporting dates. In case the payment certificate for an on-going job covers two consecutive reporting periods, it is our practice that we will fully recognise the revenue in a particular reporting period according to the payment certificate if the payment certificates fall substantially within that reporting period. To quantify if there is any material cut-off adjustment arising from those payment certificates which cover two consecutive reporting dates (the "**Cut-off Payment Certificates**"), we assess the amount of potential adjustment. We quantify such potential adjustment by apportioning the revenue to be recognised in a particular reporting period based on number of days in the corresponding reporting period as specified in the Cut-off Payment Certificates. Base on such quantification method, we quantify that the potential adjustment to the revenue recognised is not material.

The following table sets forth a breakdown of our major projects carried out by our Group during the Track Record Period:

Job	Location	Year ended 31 December 2014	Year ended 31 December 2015	Six months ended 30 June 2016	Accumulated revenue recognised during the Track Record Period	Status as at 30 June 2016
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
C1	Macau	53,400	7,209	–	60,609	completed
C2	Hong Kong	33,658	3,831	701	38,190	in progress
C3	Hong Kong	3,497	–	–	3,497	completed
C4	Hong Kong	3,440	–	–	3,440	completed
C5	Hong Kong	3,000	–	–	3,000	completed
C6	Hong Kong	–	21,689	1,200	22,889	completed
C7	Hong Kong	–	10,094	1,920	12,014	completed
C8	Hong Kong	–	7,502	–	7,502	completed
C9	Hong Kong	–	6,124	5,051	11,175	completed
C10	Hong Kong	–	2,414	12,572	14,986	in progress
C11	Hong Kong	–	–	4,452	4,452	in progress
C13	Hong Kong	–	1,366	13,529	14,895	in progress
C14	Hong Kong	–	–	2,108	2,108	completed
C15	Hong Kong	–	–	3,049	3,049	in progress

Variation orders are instructions given by the customer for a change in the scope of the work to be performed under the contract. Variation orders may lead to an increase or a decrease in contract revenue. Variation orders are included in our Group's contract revenue when (i) it is probable that our customer will approve the variation orders and the amount of revenue arising from the variation orders; and (ii) the amount of revenue can be reliably measured. During the Track Record Period we did not receive any variation order which led to the decrease in recognised revenue or certified/billed amount, and our Group's revenue was not reduced due to any variation order. The total amount of revenue recognised arising from variation order in 2014 and 2015 and the six months ended 30 June 2016 is approximately HK$5.1 million, HK$11.1 million, and HK$2.5 million representing 4.3%, 9.3%, and 4.1% of the total revenue of the Group respectively.

The Group (as contractor) and a customer may agree variations or claims that increase or decrease contract revenue in a period subsequent to that in which the contract was initially agreed. A variation is an instruction by the customer for a change in the scope of the work to be performed under the contract. Examples of variations are changes in the specifications or design of the asset and changes in the duration of the contract.

There were no revenue for the Track Record Period and contract receivables as at 31 December 2014 and 2015 and 30 June 2016 (including those arising from variation orders) which were recognised by the Group but pending certificate by the customers (where applicable).

Geographical Markets

During the Track Record Period, we were engaged in the provision of concrete demolition services in Hong Kong and Macau. The following table sets forth our revenue by geographical market for the periods indicated:

	Year ended 31 December		**Six months ended 30 June**	
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Revenue (by location of customers)				
Hong Kong	61,344	108,432	40,685	56,243
Macau	55,785	11,640	10,442	4,501
	117,129	120,072	51,127	60,744

Our revenue increased by 2.5% from approximately HK$117.1 million for the year ended 31 December 2014 to HK$120.1 million for the year ended 31 December 2015. The revenue from customers in Hong Kong increased by 76.8% from approximately HK$61.3 million to approximately HK$108.4 million during the same periods. Such increase was primarily due to the increase in the number of jobs in Hong Kong in the year ended 31 December 2015. The revenue from customers in Macau decreased by 79.1% from approximately HK$55.8 million for the year ended 31 December 2014 to approximately HK$11.6 million for the year ended 31 December 2015. Such decrease was primarily due to (i) job C1 was substantially finished in the year ended 31 December 2014 (meaning that over 80% of the total job C1 revenue has been recognised) and (ii) we did not involve in other sizable job in Macau that was comparable to job C1 in terms of revenue generated. The revenue from customers in Macau thus decreased from 47.6% to 9.7% of our total revenue.

Our revenue increased by 18.8% from approximately HK$51.1 million for the six months ended 30 June 2015 to approximately HK$60.7 million for the six months ended 30 June 2016. The revenue from customer in Hong Kong increased by 38.2% from approximately HK$40.7 million to approximately HK$56.2 million during the same periods. We have recorded an increase in our revenue mainly due to the increase in sizeable jobs for the six months ended 30 June 2016 despite the decrease in the number of jobs undertaken from 130 to 86 jobs for the six months ended 30 June 2015 to the same period in 2016, representing a decrease of 33.8%. For the six months ended 30 June 2016, we involved in sizeable jobs C13, C10, C9, C11 and C15 in Hong Kong in terms of revenue generated. The revenue from customers in Macau decreased by 56.9% from approximately HK$10.4 million for the six months ended 30 June 2015 to approximately HK$4.5 million for the six months ended 30 June 2016. Such decrease was primarily due to most of the revenue has been recognised in 2015 for job C1 and we did not involve in other sizable job in Macau that was comparable to job C1 in terms of revenue generated for the six months ended 30 June 2016.

Cost of sales

Cost of sales of our Group for the periods indicated consisted (i) depreciation of owned assets; (ii) depreciation of assets under finance lease; (iii) fuel and oil; (iv) machinery rental cost; (v) motor vehicles expense; (vi) repairs and maintenance; (vii) materials and consumables; (viii) staff costs; (ix) subcontracting charges; (x) transportation; and (xi) other expenses.

The following table sets forth a breakdown of our cost of sales for the periods indicated:

	Year ended 31 December		**Six months ended 30 June**	
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Cost of sales				
Depreciation	920	881	393	581
Fuel and oil	1,024	491	165	345
Machinery rental cost	4,847	8,126	1,725	2,942
Motor vehicles expense	597	682	281	335
Repairs and maintenance	314	329	235	102
Materials and consumables	19,640	14,581	8,190	7,740
Staff costs	24,200	20,150	9,210	12,246
Subcontracting charges	27,426	27,576	12,177	15,497
Transportation	5,229	8,362	1,914	2,761
Other direct costs	645	828	199	486
	84,842	82,006	34,489	43,035

Our cost of sales amounted to approximately HK$84.8 million and HK$82.0 million for each of the two years ended 31 December 2014 and 2015 respectively, representing a slight decrease of approximately 3.3%. Such decrease was primarily due to the decrease of costs from materials and consumables and staff costs.

Our cost of sales amounted to approximately HK$34.5 million and approximately HK$43.0 million for the six months ended 30 June 2015 and 2016 respectively, representing an increase of approximately 24.8%. Such increase was primarily due to the increase in cost from transportation, staff costs and subcontracting charges.

Materials and consumables, which include costs for purchasing tools such as saw blades and cutting wires, and costs of purchasing remote controlled demolition robots. The cost of materials and consumables decreased by approximately 25.8% from approximately HK$19.6 million for the year ended 31 December 2014 to HK$14.6 million for the year ended 31 December 2015. Such decrease was primarily due to (i) job C1, being the largest job in 2014, was substantially finished in the year ended 31 December 2014 (meaning that over 80% of the total job C1 revenue has been recognised); and (ii) as sawing was the major concrete demolition method applied in job C1, relatively more wire saw cut machines (which requires a large amount of materials and consumables) were used. For the year ended 31 December 2014, a remote controlled demolition robot of approximately HK$0.8 million was purchased in March 2014 and was subsequently sold it to a customer group, which is an independent third party, at approximately HK$1.03 million in the same month. The purchase cost of such remote controlled demolition robot was not capitalised in the property, plant and equipment and was expensed out in the profit or loss and included in the cost of sales for the year ended 31 December 2014. The cost of materials and consumables decreased by approximately 5.5% from approximately HK$8.2 million for the six months ended 30 June 2015 to approximately HK$7.7 million for the six months ended 30 June 2016. Such decrease was primarily due to the decrease in costs for raw materials and consumables in Macau as job C1 was completed in 2015.

Machinery rental cost represent the cost incurred for hiring machineries such as loaders, excavators, forklifts, crawler cranes and crane lorries for the lifting and moving of cut-out sections of concrete and other demolition debris and materials when we do not possess the necessary machinery for relevant site conditions. Machinery rental cost of our Group has increased by approximately 67.7% for the year ended 31 December 2015 as compared to 2014. Although, during the year ended 31 December 2014 the Group incurred a machinery rental cost of approximately HK$2.5 million for the rental of a crawler crane for job C1, during the year ended 31 December 2015, we hired additional machineries for two of our five largest jobs. Machinery rental cost of our Group has increased by approximately 70.6% for the six months ended 30 June 2016 as compared to that in 2015 due to the increase in number of machineries hired and increase in machineries rental price.

Motor vehicles expenses represent the fee related to the maintenance cost of our motor vehicles. Repairs and maintenance represent costs for purchasing machinery parts and components for our in-house mechanics to perform repair and maintenance works of machinery.

Staff costs represent compensations and benefits given to our staff in our different project teams, which have reduced by 16.7% from approximately HK$24.2 million to HK$20.2 million for the year ended 31 December 2015 as compared to 2014. Such decrease was due to our involvement in job C1 in Macau in the year of 2014; which we incurred staff costs, including accommodations and allowances, for our workers to work in Macau. In the year of 2015, we were involved in less jobs in Macau in terms of revenue generated and the number of jobs. Staff cost has increased by approximately 33.0% from approximately HK$9.2 million for the six months ended 30 June 2015 to approximately HK$12.2 million for the six months ended 30 June 2016 represented by the increase in salaries and allowances due to the increase in number of staff. Our number of staff increased from 80 to 97 as at 30 June 2015 and 2016 respectively due to increase in scale of jobs.

Subcontracting charges are the direct costs for engaging subcontractors to perform part of our concrete demolition jobs based on the availability of our labour resources and the opportunity cost of performing the work by our own. Our subcontracting charges has increased slightly, being 0.5%, from approximately HK$27.4 million to HK$27.6 million from the year ended 31 December 2014 as compared to the year ended 31 December 2015, which was in line with our increased number of jobs during these periods.

Our subcontracting charges has increased, being 27.3%, from approximately HK$12.2 million to HK$15.5 million from the six months ended 30 June 2015 as compared to the six months ended 30 June 2016. The increase in subcontracting charges for the six months ended 30 June 2016 was mainly due to the highly compressed timetable for the remaining expansion works at Admiralty Station which involves job C13.

Transportation represent fees of delivering our machineries to our work sites, and disposal expenses of unwanted materials resulting from our concrete demolition services to the landfills. The fee has increased by approximately 59.9% from approximately HK$5.2 million to HK$8.4 million for the year end 31 December 2015 as compared to the preceeding year. The increase is mainly because of the number of jobs (with revenue contribution to us during the year) increased from 160 jobs in 2014 to 232 jobs in 2015. The fee has increased from approximately HK$1.9 million for the six months ended 30 June 2015 to HK$2.8 million for the six months ended 30 June 2016 mainly due to the nature of jobs in the six months ended 30 June 2016 requires more transportation costs as compared to the six months ended 30 June 2015.

Charge-back arrangement with our customers

During the Track Record Period, we had charge-back arrangement with some of our customers. Such charge-back consisted of the purchase cost of construction materials ordered by our customer, rental cost of machinery and equipment and other miscellaneous expenses in the construction sites. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the total charge-back to our customers amounted to approximately HK$1.3 million, approximately HK$7.3 million and approximately HK$0.11 million respectively.

Upon our request, we may purchase construction materials from our customers and/or the main contractors. Such purchase cost of construction materials are settled by way of charge-back to the account with such customer and/or main contractor. The payments due to us from our customer and/or the main contractor will be settled after netting off such purchase cost of construction materials. Even though we may receive payment from our customers on a net basis, we recognise the respective revenue and cost separately (i.e. on a gross basis) in our combined financial statements and account for such revenue and costs under the HKAS 11 "Construction Contracts" and HKAS 18 "Revenue". The Reporting Accountants is of the view that the accounting treatment adopted by the Group for the revenue and costs from such charge-back arrangements is in compliance with the HKAS 11 "Construction contracts" and HKAS 18 "Revenue".

Our Directors confirm that the aforesaid charge-back arrangement is in the interest of our Group and our customers as it allows our customers to have a better quality control over the materials employed by us in the course of performing the jobs, and that such arrangement is in line with the general industry practice.

For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, such charge-back to our top five customers during the Track Record Period amounted to approximately HK$1.1 million, HK$5.6 million and HK$0.12 million, respectively, representing approximately 90.9%, 76.8% and 88.0% of our total charge-back for the same periods, respectively.

Gross profit and gross profit margin

Gross profit is equal to revenue less cost of sales, whereas, gross profit margin is calculated as gross profit divided by revenue during the relevant periods.

The following tables set forth our gross profit and gross profit margin by location for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016:

	Year ended 31 December				Six months ended 30 June			
	2014		2015		2015 (Unaudited)		2016	
	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)*	*(%)*
Hong Kong	20,030	32.7	32,700	30.2	12,162	29.9	16,784	29.8
Macau	12,257	22.0	5,366	46.1	4,476	42.9	925	20.6
Total/overall	32,287	27.6	38,066	31.7	16,638	32.5	17,709	29.2

The gross profit for our Group was approximately HK$32.3 million and HK$38.1 million for each of two years ended 31 December 2014 and 2015 respectively, while the gross profit margin for our Group increased from approximately 27.6% for the year ended 31 December 2014 to 31.7% for the year ended 31 December 2015. As job C1 was substantially finished in July 2014 (meaning that over 80% of the total job C1 revenue has been recognized) and we did not involve in any other sizable job in Macau that was comparable to job C1 in terms of revenue generated, the increase of overall gross profit margin between the year ended 31 December 2014 and 2015 was mainly because

(i) during the year ended 31 December 2014 the Group incurred a machinery rental cost of approximately HK$2.5 million in Macau for the rental of a crawler crane for job C1 as compared to approximately HK$4,000 in machinery rental cost in Macau for the year ended 31 December 2015;

(ii) we incurred more materials and consumables in 2014 due to our involvement in job C1 in Macau.

(iii) we incurred significantly less subcontracting charges in Macau of approximately HK$2.4 million for the year ended 31 December 2015 as compared to HK$20.8 million the previous year, representing a decrease of approximately 88.5%; and

(iv) we incurred additional staff cost in Macau for the year ended 31 December 2014, as compared to our other jobs in Hong Kong, for our Hong Kong workers to temporarily stay in Macau and work for job C1 in Macau in year of 2014.

The gross profit for our Group was approximately HK$16.6 million and HK$17.7 million for each of the six months ended 30 June 2015 and 2016 respectively, while the gross profit margin for our Group decreased from approximately 32.5% for the six months ended 30 June 2015 to approximately 29.2% for the six months ended 30 June 2016. The decrease of overall gross profit margin between the six months ended 30 June 2015 and 2016 was mainly because

(i) increase in staff cost from approximately HK$9.2 million for the six months ended 30 June 2015 to HK$12.2 million for the six months ended 30 June 2016 mainly represented by the increase in salaries and allowances due to the increase in number of staff from 80 to 97; and

(ii) increase in subcontracting charges from approximately HK$12.2 million for the six months ended 30 June 2015 to approximately HK$15.5 million for the six months ended 30 June 2016 due to the highly compressed timetable for the remaining expansion works at Admiralty Station which involves job C13 for the six months ended 30 June 2016.

Our Group's gross profit margin was slightly higher in the six months ended 30 June 2015, as compared with each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, mainly due to the scale of jobs we undertook in the period. As many of the jobs undertaken by us in the six months ended 30 June 2015 were relatively smaller in scale, based on the then internal resources available, our Group had performed the relevant works mainly with our own labour, and primarily relied on our own motor vehicles for transportation purpose. Therefore, our needs for subcontracting services and external transportation services were relatively lower, and this reduced the subcontracting charges and transportation costs.

Other income

Our other income amounted to approximately HK$262,000, HK$87,000, HK$77,000 and HK$705,000 for each of the two years ended 31 December 2014 and 31 December 2015 and the six months ended 30 June 2015 and 30 June 2016, respectively.

The table below sets forth a breakdown of our other income and net gains by nature for the periods indicated:

	Year ended 31 December		Six months ended 30 June	
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Other income				
Sundry income	77	87	77	26
Gain on disposal of property, plant and equipment	185	–	–	679
	262	87	77	705

The gain on disposal of property, plant and equipment of approximately HK$0.2 million for the year ended 31 December 2014 arose from the sales of fully depreciated motor vehicles in such period.

The gain on disposal of property, plant and equipment of approximately HK$0.7 million for the six months ended 30 June 2016 due to the sale of used motor vehicles for replacement.

Administrative and other operating expenses

Administrative and other operating expenses mainly consisted of (i) auditors' remuneration; (ii) building management fee; (iii) depreciation of owned assets; (iv) depreciation of assets under finance lease; (v) entertainment; (vi) written off of an amount due from a related party; (vii) insurance; (viii) legal and professional fees; (ix) Listing expenses; (x) operating lease rental on premises; (xi) staff costs, including directors' emoluments; (xii) travelling; and (xiii) other expenses.

The following table sets out the components of administrative and other operating expenses for the periods indicated:

	Year ended 31 December		Six months ended 30 June	
	2014	2015	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
			(Unaudited)	
Administrative and other operating expenses				
Auditors' remuneration	50	50	–	–
Building management fee	101	102	54	67
Depreciation	1,903	1,859	944	1,104
Entertainment	1,730	1,348	747	1,387
Written off of an amount due from a related party	733	–	–	–
Insurance	999	940	432	423
Legal and professional fees	1,811	160	22	–
Listing expenses	1,733	4,412	613	5,096
Operating lease rental on premises	1,874	2,085	1,037	1,056
Staff costs, including directors' emoluments	6,424	7,375	3,495	4,495
Travelling	255	110	83	59
Other expenses	2,094	1,558	756	1,205
	19,707	19,999	8,183	14,892

Depreciation include depreciation of plant and machinery, motor vehicles, furniture and fixtures and office equipment. Entertainment, represents mainly of costs in relation to the relationship building with existing and potential customers. Such expense has reduced by approximately 22.1% from approximately HK$1.7 million to HK$1.3 from the year ended 31 December 2014 to the year ended 31 December 2015 and increased from approximately HK$0.7 million to HK$1.4 million from the six months ended 30 June 2015 to the six months ended 30 June 2016.

For the year ended 31 December 2014, an amount due from the Individual, who is a related party, of approximately HK$733,000 was written off. For the period between 2000 and 2014, Mr. Cheung, Mr. Chan and the Individual, among others, were involved in a series of Court Proceedings in Hong Kong regarding the ownership and management of Kingland Holdings and Kingland Concrete. For further details, please refer to the section headed "Directors and Senior Management – Shareholders' dispute" in this document. The relevant parties including the Individual settled the Court Proceedings on 21 November 2014. The Group decided that no further action was to be taken against the Individual and wrote off the amount due from the Individual.

Legal and professional fees mainly represent the expenses paid to the prior sponsor (the "**Prior Sponsor**") and a prior legal adviser to the Group (the "**Prior Legal Adviser**") for preparation of a [REDACTED]. Such fees are not recognised as Listing expense as all relevant engagements have been terminated. The legal and professional fees decreased from approximately HK$1.8 million for the year ended 31 December 2014 to approximately HK$0.2 million for the year ended 31 December 2015 and decreased from approximately HK$22,000 for the six months ended 30 June 2015 to HK$Nil for the six months ended 30 June 2016, which was because our Group did not require much of such services in the year 2015 and the six months ended 30 June 2016. Operating lease rental on premises which represents rental expenses for our head office and our other rented premises. Staff costs which include salaries and benefits provided to our Directors and administrative staff, increased from approximately HK$6.4 million for the year ended 31 December 2014 to approximately HK$7.4 million and from approximately HK$3.5 million for the six months ended 30 June 2015 to approximately HK$4.5 million for the six months ended 30 June 2016, mainly because of our number of administration, accounting and finance staff increased from nine as at 31 December 2014 to 14 as at 31 December 2015 and from 10 as at 30 June 2015 to 12 as at 30 June 2016. Other expenses mainly include expenses incurred for advertising, consultation, safety supplies, general office staff welfare and other utilities.

According to the clearance letter provided by the Prior Sponsor to the Stock Exchange (the "**Sponsor Clearance Letter**"), the appointment of the Prior Sponsor was terminated because the Prior Sponsor failed to reach a consensus with the Group on the amount of additional fee to be charged by the Prior Sponsor; and up to the date of the Sponsor Clearance Letter, the Prior Sponsor was not aware of any matters regarding the proposed [REDACTED] of the Group which are required to be brought to the attention of the Stock Exchange. The Sponsor also discussed with and understand from the Prior Legal Adviser that the reason of the termination of its appointment was due to the failure of Prior Legal Adviser and the Group to reach a consensus on the amount of additional fee to be charged by Prior Legal Adviser; and upon termination, the Prior Legal Adviser was not aware of any matters regarding the proposed [REDACTED] of the Group which are required to be brought to the attention of the Stock Exchange.

Finance costs

For each of the two years ended 31 December 2014 and 31 December 2015, our finance costs increased slightly from approximately HK$0.4 million to HK$0.5 million. The finance costs arose from our finance lease liabilities.

For the six months ended 30 June 2015 and 30 June 2016, our finance costs decreased from approximately HK$0.3 million to HK$0.1 million mainly due to the early repayment of finance leases for the six months ended 30 June 2015. For the six months ended 30 June 2015, approximately HK$1.6 million of finance leases were repaid.

Income tax expenses

The following table sets forth the breakdown of income tax expense of our Group for the periods indicated:

	Year ended 31 December		Six months ended 30 June	
	2014	2015	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Current tax				
– Hong Kong	798	2,814	1,094	1,193
– Macau	1,374	571	480	29
Deferred tax	28	93	(323)	115
	2,200	3,478	1,251	1,337

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, Hong Kong profits tax has been provided at the rate of 16.5% and Macau profits tax has been provided at the rate of 12% on the estimated assessable profit arising in or derived from the jurisdictions in which the entities operate for the year. The effective tax rate for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 are approximately 17.6%, 19.7% and 39.6% respectively. The increase of effective tax rate for each of the two years ended 31 December 2014 and 2015 was mainly due to the increase in our revenues in Hong Kong market in 2015 where the tax rate was higher.

Profit for the year/period

The growth of our profit for the year from approximately HK$10.3 million for the year ended 31 December 2014 to approximately HK$14.2 million for the year ended 31 December 2015 was primarily due to our increase in gross profit attributable to the improvement in gross profit margin from 27.6% to 31.7%. The gross profit margin increased mainly because (i) we incurred more materials and consumables cost in 2014; and (ii) we incurred additional staff cost for our Hong Kong workers to work for job C1 in Macau in year 2014.

The decrease of our profit from approximately HK$6.9 million for the six months ended 30 June 2015 to approximately HK$2.0 million for the six months ended 30 June 2016 was primarily due to (i) the more-than-proportionate increase in our cost of sale of approximately 24.8% from approximately HK$34.5 million for the six months ended 30 June 2015 to approximately HK$43.0 million for the six months ended 30 June 2016 which partially offset by the increase in revenue of approximately 18.8%; (ii) and the increase in listing expenses from approximately HK$0.6 million for the six months ended 30 June 2015 to approximately HK$5.1 million for the six months ended 30 June 2016.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

The following table sets forth the cash flows for the periods indicated:

	Year ended 31 December		Six months ended 30 June	
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Net cash generated from/(used in) operating activities	7,179	7,336	236	(7,550)
Net cash used in investing activities	(4,588)	(5,253)	(1,073)	(1,979)
Net cash (used in)/generated from financing activities	(1,496)	13,153	(1,296)	(2,001)
Net increase/(decrease) in cash and cash equivalents	1,095	15,236	(2,133)	(11,530)
Cash and cash equivalents at beginning of year/period	3,654	4,749	4,749	19,985
Cash and cash equivalents at end of the year/period	4,749	19,985	2,616	8,455

Net cash generated from/(used in) operating activities

The net cash generated from operating activities was approximately HK$7.3 million for the year ended 31 December 2015. The amount was derived from the Group's profit before tax of approximately HK$17.7 million, mainly adjusted for (i) depreciation of approximately HK$2.7 million; (ii) increase in trade and other receivables of approximately HK$13.0 million; and (iii) increase in trade and other payables of approximately HK$4.7 million. The trade and other receivables and trade and other payables increased mainly because two of our top five jobs were substantially completed near the end of 2015.

The net cash generated from operating activities was approximately HK$7.2 million for the year ended 31 December 2014. The amount was derived from the Group's profit before tax of approximately HK$12.5 million, mainly adjusted for (i) depreciation of approximately HK$2.8 million; and (ii) increase in trade and other receivables of approximately HK$11.4 million. The trade and other receivables increased mainly because of the growth in revenue between the year ended 31 December 2014 and 2015.

The net cash used in operating activities was approximately HK$7.6 million for the six months ended 30 June 2016. The amount was derived from the Group's profit before tax of approximately HK$3.4 million, mainly adjusted for (i) depreciation of approximately

HK$1.7 million; (ii) gain on disposal, property, plant and equipment of approximately HK$0.7 million; and (iii) increase in trade and other receivables of approximately HK$11.7 million. The increase in trade and other receivables was mainly due to the increased in contract receivables as part of the jobs in job C10 and C11 has completed near the period end. The significant increased in net cash used in operating activities was mainly due to the decrease in profit before income tax from approximately HK$8.2 million for the six months ended 30 June 2015 to approximately HK$3.4 million for the six months ended 30 June 2016.

The net cash generated from operating activities was approximately HK$0.2 million for the six months ended 30 June 2015. The amount was derived from the Group's profit before tax of approximately HK$8.2 million, mainly adjusted for (i) depreciation of approximately HK$1.3 million; (ii) increase in amount due from customers for contract work of approximately HK$8.2 million; and (iii) increase in trade and other payables of approximately HK$10.9 million; and (iv) increase in trade and other receivables of approximately HK$12.3 million.

Net Cash Used in investing activities

For the year ended 31 December 2014, the Group had net cash used in investing activities of approximately HK$4.6 million, representing mainly (i) increase in amount due from a director of approximately HK$4.5 million; (ii) purchases of property, plant and equipment of approximately HK$305,000 for the year.

For the year ended 31 December 2015, the Group had net cash used in investing activities of approximately HK$5.3 million, representing (i) increase in amount of due from a director of approximately HK$2.3 million; (ii) purchases of property, plant and equipment for the year.

For the six months ended 30 June 2015, the Group had net cash used in investing activities of approximately HK$1.1 million, representing (i) increase in amount of due from a director of approximately HK$0.5 million and (ii) purchase of property, plant and equipment of approximately HK$0.6 million for the period.

For the six months ended 30 June 2016, the Group had net cash used in investing activities of approximately HK$2.0 million, representing mainly (i) increase in amount due from a director of approximately HK$0.8 million and (ii) purchases of property, plant and equipment approximately HK$1.2 million for the period, among which approximately HK$0.7 million was used to purchase machineries for operation and approximately HK$0.5 million was used to replace used motor vehicles.

Net cash (used in)/generated from financing activities

For the year ended 31 December 2014, the Group had net cash used in financing activities of approximately HK$1.5 million, representing mainly repayment of finance lease of approximately HK$2.1 million for the year.

For the year ended 31 December 2015, the Group had net cash generated from financing activities of approximately HK$13.2 million, representing mainly proceeds from the issue of shares of approximately HK$15.0 million offset by repayment of finance lease of approximately HK$2.4 million.

For the six months ended 30 June 2015, the Group had net cash used in financing activities of approximately HK$1.3 million, representing mainly repayment of finance leases of approximately HK$1.6 million and increase in amount due to a director of approximately HK$0.6 million for the period.

For the six months ended 30 June 2016, the Group had net cash used in financing activities of approximately HK$2.0 million, representing mainly repayment of finance leases of approximately HK$1.2 million and decrease in amount due to a director of approximately HK$0.6 million.

ANALYSIS OF VARIOUS ITEMS FROM THE COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our Group's property, plant and equipment mainly consist of (i) plant and machinery including coring machines, wire saw machines, etc.; (ii) furniture, fixture and equipment; and (iii) motor vehicles. The following table sets out the carrying amounts of each type of property, plant and equipment of our Group as at each reporting date:

	As at 31 December		As at 30 June
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Plant and machinery	1,029	2,876	3,025
Furniture and fixtures	–	103	90
Office equipment	–	36	32
Motor vehicles	6,027	4,173	5,598
	7,056	7,188	8,745

The carrying amount of plant and machinery increased from approximately HK$1.0 million for the year ended 31 December 2014 to approximately HK$2.9 million for the year ended 31 December 2015 and to approximately HK$3.0 million as at 30 June 2016 mainly because of acquisition of machinery for project execution.

Amounts due from/(to) customers for contract work

Our revenue from contracts is recognised based on the stage of completion of the contracts. The stage of completion is recorded by reference to construction costs incurred. There is normally a timing difference between the project progress (in terms of percentage of project completion) recorded by us and the issuance of written payment approval and billing of our projects. Our Group records gross amounts due from customers for contract work when the sum of the costs incurred for a project and the respective recognised profit (less recognised loss) is greater than the amount of progress billings of the project. On the other hand, our Group records gross amounts due to customers for contract work when the sum of the costs incurred for a project and the respective recognised profit (less recognised loss) is less than the amount of progress billings of the project. Our Group normally submits payment applications to our customers on a regular basis. The following table sets forth the amounts due from/to customers for contract work as at each reporting date:

	As at 31 December		As at 30 June
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Amount due from customers for contract work:			
Contract costs incurred plus recognised profits less recognised losses	54,758	95,341	69,150
Less: Progress billings received and receivables	(54,005)	(91,773)	(66,259)
	753	3,568	2,891
Amount due to customers for contract work:			
Progress billings received and receivables	64,534	4,636	4,452
Less: Contracts costs incurred plus recognised profits less recognised losses	(63,522)	(4,462)	(3,632)
	1,012	174	820

The amounts due from/to customers for contract work are normally affected by (i) the amount of works handled by our Group at the time close to the end of each reporting period by reference to the construction costs incurred for and the budgeted costs of the projects; and (ii) the timing of issuing written payment approval by our customers for the project progress recorded by us, which can vary significantly from period to period.

Trade and other receivables

As at each reporting date, the trade and other receivables comprise:

	As at 31 December		As at 30 June
	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Contract receivables	8,754	19,240	23,774
Retention receivables	8,708	9,971	12,725
Total trade receivables	17,462	29,211	36,499
Other receivables, deposits and prepayments	2,231	3,497	7,954
	19,693	32,708	44,453

Trade receivables

Our trade receivables as at 31 December 2014 and 2015 and 30 June 2016 were approximately HK$17.5 million, HK$29.2 million and HK$36.5 million respectively.

Our trade receivables consist of (i) contract receivables; and (ii) retention receivables. We normally receive progress payment from customers on a monthly basis and occasionally on a milestone basis with reference to the value of works done for jobs that extend over one reporting period. A progress certificate certifying the works progress is issued by authorised persons (such as the quantity surveyors employed by our customers). Upon issuance of such certificates, the progress revenue is billed to customers and then become payable by customers, and the progress revenue is accounted for as contract receivables. If there is sufficient evidence to show that the relevant job has been completed within the same reporting period, we also recognise revenue based on invoice. All of the Group's contract receivables are recognised based on invoice (for completed jobs only) and payment certificates during the Track Record Period. Generally, payment from customers is due around 14 to 60 days after the issue of the progress certificate/invoice. The retention receivables represent the retention money held up by our customers for construction jobs. The retention money is retained by our customers at a rate of 10% of each interim payment made to us and up to a maximum limit of 5% of the total contract sum.

The contract receivables increased significantly from approximately HK$8.8 million as at 31 December 2014 to approximately HK$19.2 million as at 31 December 2015 because our major jobs, namely job C6 and job C8 were substantially completed near the end of the year 2015 leading to the substantial increase in contract receivables by 31 December 2015. In particular, the revenue recognised (based on the recognition criteria set out in HKAS 11) in November and December of 2015 was approximately HK$26.1 million, significantly higher than the approximately HK$8.3 million revenue recognised in the corresponding period of 2014. This demonstrates that relatively more works were completed and more revenue was recognised near the end of 2015 and causing the unsettled contract receivables as at 31 December 2015 to increase. The contract receivables as at 31 December 2015 in relation to these jobs amounted to approximately HK$9.9 million. Most of the contract receivables has not yet been settled as at 31 December 2015. In addition, the portion of contract receivable that aged over 91 days increased from 5.5% in 2014 to approximately 40.2% in 2015. Therefore, contract receivables in 2015 increased significantly with only slight increase in revenue.

The contract receivables increased from approximately HK$19.2 million as at 31 December 2015 to approximately HK$23.8 million as at 30 June 2016 mainly represented contract receivables from job C10 and C11 as part of the jobs has completed near the period end.

The following table sets forth the debtors' turnover days of the contract receivables for the periods indicated:

	For the year ended 31 December		Six months ended 30 June
	2014	2015	2016
Debtors' turnover day	18.2 days	42.5 days	64.4 days

Our debtors' turnover days increased from approximately 18.2 days in 2014 to approximately 42.5 days in 2015 and further increased to approximately 64.4 days for the six months ended 30 June 2016. The largest job in 2014 (in terms of revenue in 2014), JobC1, was substantially completed in July 2014. Since Job C1 was substantially completed several months before 31 December 2014, with the credit term ranging from 14 to 60 days after the issue of the progress certificate, the outstanding balance due to Job C1 was settled before 31 December 2014. Accordingly, the outstanding contract receivables relating to job C1 as at 31 December 2014 was nil.

Since the debtors' turnover days of the contract receivables is calculated based on the average of beginning and ending trade receivable balances for the period, the exceptionally low outstanding contract receivable as at 31 December 2014 resulted in lower debtors' turnover day for the year ended 31 December 2014 and 2015. Therefore, the debtor's turnover days for the six months ended 30 June 2016 is higher than that in the year ended 31 December 2014 and 2015.

If we do not receive payment from customers within the credit period stated on the invoices issued by us to our customers, we will monitor the overdue payments continuously and our management will evaluate on a case-by-case basis as to the appropriate follow-up actions having regard to the customer's normal payment processing procedures, our relationship with the customer, its history of making payments, its financial position as well as the general economic environment. Our management, after review, is of the view that no impairment is necessary.

The following table illustrates the aging analysis of the contract receivables, based on the invoice date, as of the end of each reporting dates:

	As at 31 December		As at 30 June
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
0-30 days	4,393	4,202	9,207
31-60 days	3,479	4,852	10,300
61-90 days	397	2,460	1,406
91-365 days	260	7,350	2,495
Over 365 days	225	376	366
	8,754	19,240	23,774

A considerable portion of the contract receivables aged 91 days or more. As at 31 December 2015, the portion of contract receivable that aged over 91 days increased from 5.5% to approximately 40.2%. Our largest job in terms of revenue in 2015 was job C6, a demolition works of a public transport development project in Hong Kong. Since this public transport project is a large scale government project, our Directors consider that the payment approval process for such a large scale government project is generally longer, leading to longer contract receivable aging as at 31 December 2015. Out of the approximately HK$7.7 million contract receivables that aged over 91 days as at 31 December 2015, approximately HK$3.6 million is related to job C6. As at 30 June 2016, the portion of contract receivable that aged over 91 days decreased from 40.2% to approximately 12.0% mainly due to the settlements from customers during the period.

No impairment of trade receivable was made during the Track Record Period. Although some customers showed relatively slower repayment, our Directors have reviewed the payment history of the long-aged receivables. As no evidence of impairment of trade receivable has occurred, our Directors consider that no impairment is necessary.

Up to the Latest Practicable Date, 87.0% of the Group's trade receivable as at 30 June 2016 has been subsequently settled.

Other receivables, deposits and prepayments

The balance of other receivables, deposits and prepayments increased from approximately HK$2.2 million to HK$3.5 million between 31 December 2014 and 2015 mainly because of prepayment of listing expenses of approximately HK$1.7 million as at 31 December 2015. Our other receivables, deposits and prepayments has further increased to HK$8.0 million as at 30 June 2016 mainly due to prepayments in Listing expenses.

Trade and other payables

As at each reporting date, the trade and other payables comprise:

	As at 31 December		As at 30 June
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	2,938	10,006	13,706
Accruals and other payables	10,777	8,427	3,993
	13,715	18,433	17,699

Trade payables

The trade payable represents the balance due to our Group's suppliers and subcontractors. The balance increased from approximately HK$2.9 million as at 31 December 2014 to HK$10.0 million as at 31 December 2015 because our major jobs, namely job C6 and job C8, were substantially completed near the end of 2015 (meaning that over 80% of the total job revenue respectively have been recognised) leading to the substantial increase in trade payables by 31 December 2015. Our trade payables increased to approximately HK$13.7 million as at 30 June 2016 due to part of the jobs in job C10 and C11 has completed near the period end.

The following table sets forth the creditors' turnover day (calculated as the average of beginning and ending total trade payable balances for the period divided by cost of inventory sold and subcontracting charge for the period, multiplied by the number of the days in the period) for the periods indicated:

	For the year ended 31 December		Six months ended 30 June
	2014	**2015**	**2016**
Creditors' turnover day	13.7 days	28.8 days	50.1 days

The majority of credit term granted by our Group's suppliers/subcontractors is 30 days. The creditors' turnover day during the year ended 31 December 2015 was slightly below 30 days. Our creditor's turnover days increased from approximately 13.7 days in 2014 to approximately 28.8 days in 2015, and further increased to approximately 50.1 days for the six months ended 30 June 2016. The creditors' turnover days for 2014 was lower than usual because job C1, the largest job in 2014 (in terms of revenue in 2014), was substantially completed in July 2014 (meaning that over 80% of the total job revenue has been recognised). As it was substantially completed several months before 31 December 2014, the outstanding trade payables relating to job C1 as at 31 December 2014 was nil, leading to a low creditors' turnover day for the year ended 31 December 2014. However, the major jobs in 2015 were substantially completed in third or last quarter of the year. Therefore, as at 31 December 2015, trade payables increased accordingly and led to a comparably higher creditors' turnover day for the year ended 31 December 2015 and the six months ended 30 June 2016.

The following table illustrates the aging analysis of the trade payables, based on the invoice date, as of the end of each reporting dates:

	As at 31 December		As at 30 June
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
0-30 days	1,011	3,461	9,522
31-60 days	571	2,192	1,302
61-90 days	390	1,944	1,156
Over 90 days	966	2,409	1,726
	2,938	10,006	13,706

76.1% of our Group's trade payables as at 30 June 2016 have been subsequently settled up to the Latest Practicable Date.

Accruals and other payables

The accruals and other payables represent obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. The balance dropped from approximately HK$10.8 million to HK$8.4 million between 31 December 2014 and 2015 mainly because of our subcontractor A had not issued an invoice to us in relation to the subcontracting charge of approximately HK$3.0 million payable for the works performed for the job C1 as at 31 December 2014.

Our accruals and other payables had further dropped to approximately HK$4.0 million as at 30 June 2016 mainly due to payments of accrued bonus and Listing expenses.

Balances with directors and related parties

As at each of reporting dates, the Group had the following balances with directors and related parties:

	As at 31 December		As at 30 June
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Amount due from a director – Mr. Chan	5,637	6,568	7,335
Amount due from a related company – Yuet Tung Trading Co	1,587	1,637	1,661
Amount due to a director – Mr. Cheung	(967)	(3,363)	(2,762)
Net balances with directors and related parties	6,257	4,842	6,234

The balances with Mr. Chan and Mr. Cheung mainly arose from cash advances and payment on behalf. The amount due to Yuet Tung Trading Co arose from payment on behalf of the related company by our Group. Yuet Tung Trading Co is a partnership between Mr Chan, Mr Cheung and the Individual. The amounts due from director arose from approximately HK$5.6 million to HK$6.6 million from 31 December 2014 to 31 December 2015 and approximately HK$7.3 million as at 30 June 2016 because of cash advance and payments on behalf of director. The amounts due to Mr. Cheung increased from HK$1.0 million to HK$3.4 million from 31 December 2014 to 31 December 2015 mainly because of payment on behalf of our Group from Mr. Cheung. The amount due to Mr. Cheung decreased to approximately HK$2.8 million as at 30 June 2016 mainly because of the repayment to Mr. Cheung. There is no significant change for the amount due from Yuet Tung Trading Co.

All balances with directors and related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

All of the above balances will be settled on or before [REDACTED].

NET CURRENT ASSETS

The following table sets forth the breakdown of our Group's current assets and current liabilities as at 31 December 2014 and 2015, 30 June 2016 and 31 August 2016.

	As at 31 December		As at 30 June	As at 31 August
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current assets				
Amounts due from customers for contract work	753	3,568	2,891	1,536
Trade and other receivables	19,693	32,708	44,453	40,557
Amount due from a director	5,637	6,568	7,335	11,484
Amounts due from a related company	1,587	1,637	1,661	1,669
Cash and cash equivalents	4,749	19,985	8,455	7,961
	32,419	64,466	64,795	63,207
Current liabilities				
Amounts due to customers for contract work	1,012	174	820	1,321
Trade and other payables	13,715	18,433	17,699	11,528
Amount due to a director	967	3,363	2,762	6,231
Borrowings	1,887	1,669	1,894	2,241
Tax payable	2,482	4,214	4,497	4,924
	20,063	27,853	27,672	26,245
Net current assets	12,356	36,613	37,123	36,962

The net current assets increased from approximately HK$36.6 million as at 31 December 2015 to approximately HK$37.1 million as at 30 June 2016 mainly due to the increase in trade and other receivables from approximately HK$32.7 million as at 31 December 2015 to approximately HK$44.5 million as at 30 June 2016 mainly due to more jobs were substantially completed near the period end.

The net current assets increased from approximately HK$12.4 million as at 31 December 2014 to HK$36.6 million as at 31 December 2015 mainly due to the increase in the equity and net assets of our Group when Platinum Faith allotted and issued 250 new shares to Applewood Developments at a consideration of HK$15.0 million (the "**Allotment**") during the year ended 31 December 2015. The Allotment significantly increased the amount of cash and cash equivalents of our Group from approximately HK$4.7 million as at 31 December 2014 to approximately HK$20.0 million as at 31 December 2015.

The net current assets remained stable and decreased slightly to approximately HK$37.0 million as at [31 August 2016].

As at 30 June 2016, our cash and cash equivalent was approximately HK$8.5 million. For the year ended 31 December 2015, the cost of sales and the administrative and other operating expenses were over HK$100 million in aggregate. As the existing cash level only amounted to around 19% of the annual cost and expenses of our Group, our Directors are of the view that it is important for us to maintain sufficient capital for existing business operation and that our existing cash level is not exceptionally high.

SUFFICIENCY OF WORKING CAPITAL

[Our Directors confirm that our Group has sufficient working capital for its requirements for at least the next 12 months from the date of this document, taking into account the existing financial resources available to us, the estimated net proceeds from the [REDACTED] and cash flows from operations.]

INDEBTEDNESS

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

	As at 31 December		As at 30 June	[As at 31 August
	2014	2015	2016	2016]
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
Finance lease liabilities – non-current	4,253	2,101	2,024	2,502
Finance lease liabilities – current	1,887	1,669	1,894	2,241
Total borrowings	6,140	3,770	3,918	4,743
Due to a director – Mr. Cheung	967	3,363	2,762	6,231

Borrowing

During the Track Record Period, our Group had certain machinery and motor vehicles under finance leases. Our Group's machinery with aggregate net book value of approximately HK$469,000 and HK$Nil as at 31 December 2014 and 2015 respectively are secured as the rights to the leased assets revert to the lessors in the event of default. Our Group's motor vehicles with aggregate net book value of approximately HK$6.0 million and HK$4.0 million as at 31 December 2014 and 2015 respectively are secured as the rights to the leased assets revert to the lessors in the event of default. The total amount of finance lease liabilities dropped from approximately HK$6.1 million as at 31 December 2014 to approximately HK$3.8 million as at 31 December 2015 as our Group repaid certain finance leases during the Track Record Period. The total amount of finance lease liabilities as at 30 June 2016 has increased to approximately HK$3.9 million due to the increased in number of finance leases during the period.

As at 31 December 2014 and 2015, 30 June 2016 and [31 August 2016], our Group bore interest at flat interest rate of 1.75% to 4.5% per annum, 3.5% per annum, 2.0% to 3.5% per annum and [2.0% to 3.5%] per annum for the committed finance lease facilities. Other than that, our Group had no other committed borrowing facilities.

The finance lease liabilities were guaranteed by Mr. Chan and Mr. Cheung. Our Directors confirm that, save for the amount of finance lease liabilities of approximately HK$[0.7] million which should be repaid after the Track Record Period and up to the [REDACTED] in accordance with the relevant repayment schedule, the remaining finance lease liabilities are expected to be repaid [within the first six months] after [REDACTED], financed by the net proceeds of the [REDACTED]. For details of the use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds". Upon the full repayment all finance lease liabilities before or around the [REDACTED], the personal guarantees executed by Mr. Chan and Mr. Cheung will be released.

We confirm that during the Track Record Period and up to the Latest Practicable Date, we have not encountered any material difficulty in raising bank loans or other financing in our business operations.

Due to a Director

The amount due to Mr. Cheung mainly arose from cash advances and payment on behalf. The amount due to Mr. Cheung increased from HK$1.0 million as at 31 December 2014 to HK$3.4 million as at 31 December 2015 mainly because of cash advance from Mr. Cheung. The amount due to Mr. Cheung was approximately HK$2.8 million and HK$6.2 million as at 30 June 2016 and [31 August 2016], respectively.

Contingent liabilities

Our Group, in the ordinary course of our business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although our Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, our Group could incur judgements or enter into settlements of claims that could adversely affect our operating results or cash flows in a particular period.

Our Group had no significant contingent liabilities at the end of each of 31 December 2014, 2015, 30 June 2016 and [31 August 2016].

Our Directors confirm that there are no material covenants relating to these outstanding indebtedness.

Save as aforesaid or as otherwise disclosed herein and apart from normal trade and other payables and tax payable, our Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at the closure of business on [31 May 2016].

CAPITAL COMMITMENT

Capital commitments outstanding at each statement of financial position date not provided for in this section were as follows:

	As at 31 December 2014	As at 31 December 2015	As at 30 June 2016
	HK$'000	*HK$'000*	*HK$'000*
Contracted but not provided for property, plant and equipment	–	655	254

CAPITAL EXPENDITURES

The following table sets out our Group's capital expenditures for the periods indicated. The capital expenditures were funded out of our Group's internal resources.

	Year ended 31 December		Six months ended 30 June
	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Plant and machinery	–	2,728	730
Furniture and fixture	–	107	–
Office equipment	–	37	–
Motor vehicles	2,874	–	2,523
Total	2,874	2,872	3,253

OTHER KEY FINANCIAL RATIOS

	As at / For the year ended 31 December		As at/For the six months ended 30 June
	2014	2015	2016
Turnover growth [1]	n/a	2.5%	18.8%
Net profit growth [2]	n/a	38.2%	-70.7%
Gross margin [3]	27.6%	31.7%	29.2%
Net profit margin before interest and tax [4]	11.0%	15.1%	5.8%
Net profit margin [5]	8.8%	11.8%	3.4%
Return on equity [6]	74.2%	35.3%	4.8%
Return on assets [7]	26.0%	19.8%	2.8%
Current ratio [8]	1.6 times	2.3 times	2.3 times
Gearing ratio [9]	44.3%	9.4%	9.3%
Debt to equity ratio [10]	10.0%	nil	nil
Interest coverage [11]	35.1 times	37.9 times	23.8 times

Notes:

1. Turnover growth is calculated as the year-on-year growth rate of revenue
2. Net profit growth is calculated as the year-on-year growth rate of net profit
3. Gross margin is calculated as the gross profit divided by revenue
4. Net profit margin before interest and tax is calculated as the profit before interest and tax divided by revenue
5. Net profit margin is calculated as the profit for the year/period divided by revenue
6. Return on equity is calculated as the profit for the year/period divided by total equity
7. Return on assets is calculated as the profit for the year/period divided by total assets
8. Current ratio is calculated as the current assets divided by current liabilities
9. Gearing ratio is calculated as the total debt divided by total equity. For the avoidance of doubt, total debt includes finance lease obligation
10. Debt to equity ratio is calculated as the total debt net of cash and bank balances and divided by total equity. For the avoidance of doubt, total debt includes finance lease obligation
11. Interest coverage is calculated as the profit before interest and tax divided by finance cost

Turnover growth

Our Group has experienced a turnover growth of approximately 2.5% as compared between the turnover in the two years ended 31 December 2014 and 2015. Such increase was primarily due to the increase in the number of jobs mainly in Hong Kong in 2015 as compared to the previous period.

Our group has experienced a turnover growth of approximately 18.8% as compared between the turnover in the six months ended 30 June 2015 and 2016. Such increase was primarily due to the increase size of jobs mainly in Hong Kong in 2016 as compared to the previous period.

Net profit growth

Our growth in our profit for the year from approximately HK$10.3 million for the year ended 31 December 2014 to approximately HK$14.2 million for the year ended 31 December 2015 was primarily due to our increase in gross profit attributable to the improvement in gross profit margin from 27.6% to 31.7%. Our decrease in our profit from approximately HK$6.9 million for the six months ended 30 June 2015 to approximately HK$2.0 million for the six months ended 30 June 2016 was primarily due to our more-than-proportionate increase in administrative and other operating expenses of 82.0% from approximately HK$8.2 million to approximately HK$14.9 million mainly represented by the increase in Listing expenses from approximately HK$0.6 million to approximately HK$5.1 million while the increase in revenue of approximately 18.8%.

Gross margin

Our Group's gross profit margin increased from approximately 27.6% for the year ended 31 December 2014 to approximately 31.7% for the year ended 31 December 2015, which was mainly because (i) we incurred more materials and consumables cost in the year of 2014; and (ii) we incurred staff costs including accommodations and allowances for our workers for job C1 in Macau in the year of 2014.

The gross profit margin decreased from approximately 32.5% for six months ended 30 June 2015 to approximately 29.2% for the six months ended 30 June 2016 mainly due to the increased of cost of sales of 24.8% in the six months ended 30 June 2016 as (i) the machinery rental cost for the Group increased by approximately 70.6%; and (ii) the subcontracting charges increased by approximately 27.3%; and (iii) the staff cost increased by approximately 33.0%.

Our Group's gross profit margin was slightly higher in the six months ended 30 June 2015, as compared with each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, mainly due to the scale of jobs we undertook in the same period. As many of the jobs undertaken by us in the six months ended 30 June 2015 were relatively smaller in scale, based on the then internal resources available, our Group had performed the relevant works mainly with our own labour, and primarily relied on our own motor vehicles for transportation purpose. Therefore, our needs for subcontracting services and external transportation services were relatively lower, and this reduced the subcontracting charges and transportation costs in the same period.

Net profit margin before interest and tax

Our Group's net profit margin before interest and tax improved from 11.0% for the year ended 31 December 2014 to 15.1% for the year ended 31 December 2015. Such improvement in the net profit margin before interest and tax was attributable to the improvement in gross profit margin from 27.6% to 31.7%.

Our Group's net profit margin before interest and tax decreased from approximately 16.7% for six months ended 30 June 2015 to approximately 5.8% for the six months ended 30 June 2016 mainly due to the increase in revenue of approximately 18.8% while the more-than-proportionate increase in administrative and other operating expenses of approximately 82.0% mainly represented by the increase in Listing expenses from approximately HK$0.6 million to approximately HK$5.1 million.

Net profit margin

Our Group's net profit margin has slightly improved from 8.8% for the year ended 31 December 2014 to 11.8% for the year ended 31 December 2015. The income tax expense increased by around 58.1% between the two years ended 31 December 2014 and 2015. Such increase was primarily due to the increase in our revenues generated in the Hong Kong market in 2015 where the tax rate is higher in Hong Kong than in Macau. The change in net profit margin is also in line with the changes in net profit margin before interest and tax.

Our Group's net profit margin decreased from approximately 13.6% for six months ended 30 June 2015 to approximately 3.4% for the six months ended 30 June 2016. Such decrease was mainly due to the increase in administrative and other operating expenses and the less-than-proportionate increase in revenue.

Return on equity

Our Group's return on equity decreased from 74.2% for the year ended 31 December 2014 to 35.3% for the year ended 31 December 2015 and 4.8% as at 30 June 2016, which was mainly due to the increase in equity from approximately HK$13.9 million as at 31 December 2014 to approximately HK$40.3 million as at 31 December 2015 after the Allotment of 250 new shares of Platinum Faith to Applewood Developments during such year.

The return on equity for the six months ended 30 June 2016 of 4.8% was substantially lower because only the results of operation in the first six months of 2016 are taken into account.

Return on assets

Our Group's return on assets remained relatively steady from 26.0% as at 31 December 2014 to 19.8% as at 31 December 2015. We recorded a decrease in return on assets to approximately 2.8% for the six months ended 30 June 2016 was mainly due to the profit for only six months recorded.

Current ratio

During the Track Record Period, our Group's current ratio improved from approximately 1.6 times as at 31 December 2014 to 2.3 times as at 31 December 2015 which was due to increase in current assets as the result of certain major jobs were completed or substantially completed in the year of 2015.

Our Group's current ratio remained steady at approximately 2.3 times as at 30 June 2016.

Gearing ratio

Our Group's gearing ratio dropped from approximately 44.3% as at 31 December 2014 to 9.4% as at 31 December 2015 due to the issue of new shares with regard to the Pre-[REDACTED] Investment and decrease in bank borrowing.

Our Group's gearing ratio decreased from approximately 9.4% as at 31 December 2015 to 9.3% as at 30 June 2016 mainly due to the increase in other reserves.

Debt to equity ratio

As at 31 December 2015 and 30 June 2016, the bank and cash balances were larger than the debts involved, as such, the debt to equity ratio was nil.

Interest coverage

Our Group's interest coverage remained steady from approximately 35.1 times for the year ended 31 December 2014 to 37.9 times for the year ended 31 December 2015 and decreased to 23.8 times for the six months ended 30 June 2016 mainly due to the decrease in the profit before interest and tax.

DIVIDEND

Dividends may be paid out by way of cash or by other means that our Group consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including results of operations, financial condition, the payment by our Group's subsidiaries of cash dividends to us; and other factors our Board may deem relevant.

For the year ended 31 December 2015, Kingland Concrete declared interim dividend of HK$2.8 million to its then equity holders. The interim dividend has been settled by current accounts with Directors. Save for the above, no dividend has been paid or declared by the respective subsidiaries to its the equity holders during the Tract Record Period. Subsequent to the year ended 31 December 2015, the six months ended 30 June 2016, in [November] 2016, interim dividends of approximately HK$[7.0] million [were] declared. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. 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 our Board in the future.

The dividend of HK$2.8 million declared in 2015 was settled by current accounts with Directors, therefore there was no impact on the cash level and the availability of financial resources of our Group.

As at 30 June 2016, we recorded the amount due from a director of approximately HK$7.3 million and the amount due to a director of approximately HK$2.8 million. Accordingly, the net amount due from a director of our Group was approximately HK$4.5 million.

Our Company [declared] dividend of approximately HK$7.0 million in [November] 2016 and apply (i) approximately HK$3.9 million to set off the net amount due from a director of the Group; and (ii) the remaining amount of the abovementioned dividend as an investment return to the then shareholders during the Track Record Period and should not by regarded as an indication of the future dividend policy to be adopted by our Group. As the net dividend payment in cash was only approximately HK$3.1 million, our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payment.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

(i) Interest rate risk

Other than bank balances with variable interest rate, our Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

Our Group does not expose to cash flow interest rate risk arising from its finance lease borrowings as these borrowings are at fixed interest rates. Our Group currently does not hedge its exposure to the interest rate risk as the management of our Group consider that the risk is insignificant.

(ii) Foreign currency risk

Our Group has transactional currency exposures. Such exposures mainly arise from purchases by operating units in currencies other than the units' functional currencies. Some of our purchases, such as those of certain consumables and machinery parts that are imported from places outside Hong Kong, are denominated in currencies other than Hong Kong dollars, such as US$, MOP and RMB. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our purchases denominated in currencies other than Hong Kong dollars amounted to approximately HK$8.5 million, HK$4.0 million and HK$2.8 million respectively, representing approximately 26.3%, 11.9%

and 19.0% of our total purchases of the respective years/period. As the management of the Group consider that the foreign currency risk is insignificant, they do not engage in any hedging activity.

As at 31 December 2014 and 2015 and 30 June 2016, if HK$ had weakened/strengthened by 5% against the MOP with all other variables held constant, the Group's profit after income tax for the year would have been increased/decreased by approximately HK$3,000, and HK$4,000 and HK$1,000 respectively, mainly as a result of forward exchange gains/losses on translation of MOP denominated trade payables and forward exchange gains/losses on translation of MOP denominated cash at banks.

(iii) Credit risk

Credit risk arises mainly from trade and other receivables, amount due from a director, amount due from a related company and cash at banks. Our Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 December 2014 and 2015 and 30 June 2016, there were two, four and two customers which individually contributed over 10% of our Group's trade and other receivables, respectively. The aggregate amount of trade and other receivables from these customers amounted to approximately 59%, 55% and 35% of our Group's total trade and other receivables as at 31 December 2014 and 2015 and 30 June 2016 respectively.

(iv) Liquidity risk

Our Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as our Group has sufficient cash and cash equivalents to fund their operations.

The following table details the remaining contractual maturities at the year end dates during the Track Record Period of our Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year/period end dates during the Track Record Period) and the earliest date our Group may be required to pay:

	On demand or within one year	Between one to two years	Between two to five years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2014				
Trade and other payables	13,715	–	–	13,715
Amount due to a director	967	–	–	967
Borrowings	2,173	1,825	2,674	6,672
	16,855	1,825	2,674	21,354
As at 31 December 2015				
Trade and other payables	18,433	–	–	18,433
Amount due to a director	3,363	–	–	3,363
Borrowings	1,867	1,867	321	4,055
	23,663	1,867	321	25,851
As at 30 June 2016				
Trade and other payables	17,699	–	–	17,699
Amount due to a director	2,762	–	–	2,762
Borrowings	2,064	1,512	594	4,170
	22,525	1,512	594	24,631

Sensitivity analysis of cost of sales

The following table illustrates the sensitivity of our Group's gross profit and net profit to the average cost of sales for the Track Record Period. The change in income tax is calculated by using the effective interest rate for the Track Record Period. It is assumed that all income and expenses other than cost of sales and income tax expenses, remain unchanged.

	For the year ended 31 December		Six months ended 30 June	
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Percentage change in cost of sales	**+/-5%**	**+/-5%**	**+/-5%**	**+/-5%**
Impact on gross profit *(HK$'000)*	-/+4,242	-/+4,100	-/+1,724	-/+2,152
Percentage change in gross profit *(%)*	-/+13.1	-/+10.8	-/+10.4	-/+12.2
Impact on net profit *(HK$'000)*	-/+3,494	-/+3,293	-/+1,461	-/+1,299
Percentage change in net profit *(%)*	-/+34.0	-/+23.2	-/+21.0	-/+63.8

If the cost of sales increased by 5%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 would have been approximately HK$28.0 million, HK$34.0 million, HK$15.0 million and HK$15.6 million respectively, and the net profit would have decreased to approximately HK$6.8 million, HK$10.9 million, HK$5.5 million and HK$0.7 million for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

If the cost of sales decreased by 5%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 would have been approximately HK$36.5 million, HK$42.2 million, HK$18.4 million and HK$19.9 million respectively, and the net profit would have increased to approximately HK$13.8 million, HK$17.5 million, HK$8.4 million and HK$3.3 million for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

Breakeven analysis

For the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, if the cost of sales increased by 14.7%, 21.6%, 23.8% and 7.8% respectively, assuming all other costs, expenses and income remain unchanged, the Group's gross profit would have dropped to approximately HK$19.8 million, HK$20.4 million, HK$8.4 million and HK$14.3 million respectively, and the net profit would have dropped to approximately HK$0 million for the year ended 31 December 2014 and 2015 the six months ended 30 June 2015 and 2016 respectively.

Sensitivity analysis of staff costs

The following table illustrates the sensitivity of our Group's gross profit and net profit to the average staff costs for the Track Record Period. The change in income tax is calculated by using the effective interest rate for the Track Record Period. It is assumed that all income and expenses other than staff costs and income tax expenses, remain unchanged.

	For the year ended 31 December		Six months ended 30 June	
	2014	**2015**	**2015**	**2016**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
Percentage change in staff costs	**+/-11%**	**+/-11%**	**+/-11%**	**+/-11%**
Impact on gross profit *(HK\$'000)*	-/+2,662	-/+2,217	-/+1,013	-/+1,347
Percentage change in gross profit *(%)*	-/+8.2%	-/+5.8%	-/+6.1	-/+7.6
Impact on net profit *(HK\$'000)*	-/+2,775	-/+2,432	-/+1,184	-/+1,112
Percentage change in net profit *(%)*	-/+27.0%	-/+17.1%	-/+17.1	-/+54.6

If the staff costs increased by 11%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 would have been approximately HK\$29.6 million, HK\$35.8 million, HK\$15.6 million and HK\$16.4 million respectively, and the net profit would have decreased to approximately HK\$7.5 million, HK\$11.8 million, HK\$5.8 million and HK\$0.9 million for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

If the staff costs decreased by 11%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 would have been approximately HK\$34.9 million, HK\$40.3 million, HK\$17.7 million and HK\$19.1 million respectively, and the net profit would have increased to approximately HK\$13.1 million, HK\$16.6 million, HK\$8.1 million and HK\$3.2 million for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

Breakeven analysis

For the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, if the staff costs increased by 40.7%, 64.2%, 64.5% and 20.2% respectively, assuming all other costs, expenses and income remain unchanged, the Group's gross profit would have dropped to approximately HK\$19.8 million, HK\$20.4 million, HK\$8.4 million and HK\$14.3 million respectively, and the net profit would have dropped to approximately HK\$0 million for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

Sensitivity analysis of subcontracting charges

The following table illustrates the sensitivity of our Group's gross profit and net profit to the average subcontracting charges for the Track Record Period. The change in income tax is calculated by using the effective interest rate for the Track Record Period. It is assumed that all income and expenses other than subcontracting charges and income tax expenses, remain unchanged.

	For the year ended 31 December		Six months ended 30 June	
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Percentage change in subcontracting charges	**+/-7%**	**+/-7%**	**+/-7%**	**+/-7%**
Impact on gross profit *(HK$'000)*	-/+1,920	-/+1,930	-/+852	-/+1,085
Percentage change in gross profit *(%)*	-/+5.9%	-/+5.1%	-/+5.1	-/+6.1
Impact on net profit *(HK$'000)*	-/+1,581	-/+1,550	-/+772	-/+655
Percentage change in net profit *(%)*	-/+15.4%	-/+10.9%	-/+10.4	-/+32.2

If the subcontracting charges increased by 7%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 would have been approximately HK$30.3 million, HK$36.1 million, HK$15.8 million and HK$16.6 million respectively, and the net profit would have decreased to approximately HK$8.7 million, HK$12.6 million, HK$6.2 million and HK$1.4 million for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

If the subcontracting charges decreased by 7%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 would have been approximately HK$34.2 million, HK$40.0 million, HK$17.5 million and HK$18.8 million respectively, and the net profit would have increased to approximately HK$11.9 million, HK$15.7 million, HK$7.7 million and HK$2.7 million for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

Breakeven analysis

For the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, if the subcontracting charges increased by 45.5%, 64.1%, 67.3% and 21.8% respectively, assuming all other costs, expenses and income remain unchanged, the Group's gross profit would have dropped to approximately HK$19.8 million, HK$20.4 million, HK$8.4 million and HK$14.3 million respectively, and the net profit would have dropped to approximately HK$0 million for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

Sensitivity analysis of revenue

The following table illustrates the sensitivity of the Group's gross profit and net profit to the revenue for the Track Record Period. The change in income tax is calculated by using the effective rate for the Track Record Period. It is assumed that all income and expenses other than revenue and income tax expenses, remain unchanged.

	For the year ended 31 December		Six months ended 30 June	
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Percentage change in average revenue	**+/-5%**	**+/-5%**	**+/-5%**	**+/-5%**
Impact on gross profit *(HK$'000)*	+/-5,856	+/-6,004	+/-2,556	+/-3,037
Percentage change in gross profit *(%)*	+/-18.1	+/-15.8	+/-15.4	+/-17.2
Impact on net profit *(HK$'000)*	+/-4,824	+/-4,822	+/-2,166	+/-1,834
Percentage change in net profit *(%)*	+/-46.9	+/-34.0	+/-31.2	+/-90.0

If the revenue increased by 5%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 would have been HK$38.1 million, HK$44.1 million, HK$19.2 million and HK$20.7 million respectively, and the net profit would have increased to approximately HK$15.1 million, HK$19.0 million, HK$9.1 million and HK$3.9 million for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

If the revenue decreased by 5%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 would have been HK$26.4 million, HK$32.1 million, HK$14.1 million and HK$14.7 million respectively, and the net profit would have decreased to approximately HK$5.5 million, HK$9.4 million, HK$4.8 million and HK$0.2 million for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

Breakeven analysis

For the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, if the revenue decreased by 10.7%, 14.7%, 16.0% and 5.6% respectively, assuming all income and expenses other than revenue and income tax expenses remain unchanged, our Group's gross profit would have dropped to approximately HK$19.8 million, HK$20.4 million, HK$8.4 million and HK$14.3 million respectively, and the net profit would have dropped to approximately HK$0 million for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

DISTRIBUTABLE RESERVES

As at 30 June 2016, our Company had no reserves available for distribution to its Shareholders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group which has been prepared in accordance with Rule 7.31 of the GEM Listing Rules and on the basis set out below is for illustrative purposes only, and is set out here to illustrate the effect of the [REDACTED] on the combined net tangible assets of the Group attributable to the equity owners of our Company as at 30 June 2016 as if the [REDACTED] had taken place on that date.

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of it hypothetical nature, it may not give a true picture of the financial position of the Group had the [REDACTED] been completed as at [●] or as at any future dates.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2016	**Add: Estimated net proceeds from the [REDACTED] of [REDACTED]**	**Unaudited pro forma adjusted combined net tangible assets**	**Unaudited pro forma adjusted combined net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on the [REDACTED] of HK$[REDACTED] per Share	42,265	[REDACTED]	[REDACTED]	[REDACTED]
Based on the [REDACTED] of HK$[REDACTED] per Share	42,265	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. The audited combined net tangible assets attributable to owners of the Company as at 30 June 2016 are based on audited combined net assets of the Group attributable to owners of the Company as at 30 June 2016 of approximately HK$42,265,000 as shown in the financial information section of the Accountants' Report set out in Appendix I to this document.

2. The estimated net proceeds from the [REDACTED] are based on the lowest and highest [REDACTED] of HK$[REDACTED] and HK$[REDACTED] per Share respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses to be borne by the Group (excluding approximately HK$11,242,000 listing-related expenses which have been accounted for prior to 30 June 2016).

3. The unaudited pro forma adjusted combined net tangible assets per Share is determined after the adjustments as described in Notes 1 and 2 above and on the basis that [REDACTED] Shares are issued and outstanding as set out in the section headed "Share Capital" in this document (assuming that the [REDACTED] and the [REDACTED] had been completed on 30 June 2016).

4. The unaudited pro forma financial information presented above does not take account of any trading results or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 30 June 2016). In particular, in [November] 2016, interim dividends of HK$[7,000,000] were declared. The unaudited pro forma adjusted combined net tangible assets had not taken into account of the above transaction. Had the effect of the interim dividends of HK$[7,000,000] appropriated in [November] 2016 been taken into account, the unaudited pro forma adjusted combined net tangible assets per Share would be HK$[REDACTED] and HK$[REDACTED], assuming the indicative [REDACTED] of HK$[REDACTED] and HK$[REDACTED], respectively on the basis that [REDACTED] Shares were in issue and that the interim dividends appropriated in [November] 2016, the [REDACTED] and the [REDACTED] had been completed on 30 June 2016.

Disclosure relating to Rules 17.15 to 17.21 of the GEM Listing Rules

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

RELATED PARTY TRANSCATIONS

With respect to the related party transactions set out in note 28 to the Accountants' Report contained in Appendix I to this document, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms that were no less favorable to us that terms available from Independent Third Parties which are fair and reasonable and in the interest of the Shareholders as a whole.

NO MATERIAL ADVERSE CHANGE

Subsequent to 30 June 2016, in [November] 2016, interim dividends of approximately HK$[7.0] million will be declared. Besides, it is expected that the net profit and the net profit margin for the year ending 31 December 2016 will decrease as compared with the year ended 31 December 2015 mainly because of (i) the increase in machinery rental cost and transportation cost in relation to job C10; (ii) the increase in staff cost and entertainment expense; (iii) the listing expense of approximately HK$11.1 million expected to be incurred for the year ending 31 December 2016. Other than that, our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 30 June 2016 (being the date to which the latest audited combined financial statements of our Group were made up).