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

The discussion and analysis in this section of the listing document contain certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by the Group in light of the Group's experience and interpretation of historical trends, current conditions and expected future developments as well as other factors that the Group believes are appropriate under the relevant circumstances. However, whether actual outcomes and developments will meet the Group's expectations and projections depends on a number of risks and uncertainties, some of which are beyond the Group's control. For further information, please refer to the section headed "Risk Factors" in this listing document.

OVERVIEW

The Group is a subcontractor principally engaged in the design, supply and installation of facade and curtain wall systems, with a focus on curtain walls, aluminium windows and doors. The Group provides one-stop design, supply and installation services for curtain walls, aluminium windows and doors, and works closely with customers and architects in its Design, Supply and Installation Projects to offer tailor-made designs and products to suit the project requirements. During the Track Record Period, the Group generally undertook Design, Supply and Installation Projects as a subcontractor. 89.5% or above of the Group's revenue was derived from the projects located in Hong Kong during the Track Record Period. The Group's principal customers are primarily main contractors and property developers.

For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, the Group's total revenue amounted to approximately HK$367.8 million, HK$501.9 million, HK$421.1 million and HK$157.1 million, respectively; gross profit amounted to approximately HK$57.1 million, HK$91.7 million, HK$117.2 million and HK$32.4 million, respectively; and profit for the year/period amounted to approximately HK$31.3 million, HK$55.3 million, HK$50.1 million and HK$9.0 million, respectively.

BASIS OF PREPARATION

The historical financial information has been prepared based on the accounting policies set out in "Note 4. Significant Accounting Polices" in the Accountants' Report in Appendix I to this listing document, which conforms with HKFRSs and the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

The Company and the companies now comprising the Group were wholly owned subsidiaries of Hanison. To rationalise the structure of the Group in the preparation for the Listing, the Company and the companies now comprising the Group underwent a series of reorganisation steps. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group. Please refer to "Note 2. Group Reorganisation and Basis of Preparation and Presentation of Historical Financial Information" of the Accountants' Report set out in Appendix I to this listing document.

The Group resulting from the Reorganisation continued to be controlled by Hanison (other than the acquisition of Waller Holdings and its subsidiary, Rich Victory, (collectively referred to "**Waller Holdings Group**") as disclosed in "Note 34. Acquisition of a Subsidiary" of the Accountants' Report set out in Appendix I to this listing document) and is regarded as a continuing entity. Therefore, the Reorganisation is considered as a business combination under common control and accounted for under merger accounting as mentioned below.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the five months ended 31 August 2017 include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the five months ended 31 August 2017 (other than the acquisition of the Waller Holdings Group), or since their respective date of incorporation, where there is a shorter period. The consolidated statements of financial position as at 31 March 2016 and 31 March 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group at the carrying amounts shown in the financial statements of the group entities, as if the current group structure had been in existence at those dates taking into account their respective date of incorporation/acquisition, where applicable.

APPLICATION AND ADOPTION OF HKFRS 9 AND HKFRS 15

For the purpose of preparing and presenting the historical financial information for the Track Record Period, the Group has applied HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, amendments and interpretations) issued by HKICPA that are effective for the accounting period beginning on 1 April 2018, including HKFRS 15 "Revenue from Contracts with Customers", throughout the Track Record Period, except that the Group adopted HKFRS 9 "Financial Instruments" from 1 April 2018.

For HKFRS 15, the Group adopted a full retrospective application which has been applied on a consistent basis throughout the Track Record Period. In this regard, the adoption of HKFRS 15 as compared to HKAS 18 "Revenue" does not have significant impact on the financial position and performance of the Group during the Track Record Period.

The Group chooses to apply the transition relief given in HKFRS 9 and has not restated the financial information for each of the three years ended 31 March 2018 in the year of the initial application. The Group discloses accounting policies for financial instruments in "Note 4. Significant Accounting Policies" of the Accountants' Report in Appendix I to this listing document for both periods: accounting policies which conform with HKFRS 9 that are applicable from 1 April 2018 onwards and accounting policies which conform with HKAS 39 "Financial Instruments: Recognition and Measurement" that are applicable for each of the three years ended 31 March 2018.

Key changes in accounting policies resulting from application of HKFRS 9

The Directors reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed below:

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

Impairment under expected credit losses model

As at 1 April 2018, the additional credit loss allowance charged against trade debtors and contract assets of HK$1,152,000 and deferred tax of HK$190,000 have been recognised against accumulated profits.

The impact of credit loss allowance for trade debtors and contract assets as at 31 March 2018 reconciled to the beginning loss allowance and deferred tax as at 1 April 2018 is as follows:

	Trade debtors	Contract assets	Deferred tax
	HK$'000	*HK$'000*	*HK$'000*
At 31 March 2018 — HKAS 39	3,548	–	–
Amounts remeasured through accumulated profits	492	660	(190)
At 1 April 2018 — HKFRS 9	4,040	660	(190)

Taking into account the impact as disclosed above, the Directors consider that the adoption of HKFRS 9 did not have significant impact on the Group's financial position and performance for the five months ended 31 August 2018.

For application of Hong Kong Financial Reporting Standards, please also refer to "Note 3. Application of Hong Kong Financial Reporting Standards" of the Accountants' Report in Appendix I to this listing document.

KEY FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATION AND FINANCIAL CONDITION

The Group's financial conditions and results of operations have been and will continue to be affected by a number of factors, including in the section headed "Risk Factors" in this listing document and those set out below.

Demand for facade and curtain wall systems

The Group's business performance is mainly affected by the number and availability of design, supply and installation projects for facade and curtain wall systems in Hong Kong and the PRC awarded to the Group, which in turn are affected by various factors, including but not limited to, the investment of property developers and the prospects of the PRC and the Hong Kong economy. The future growth and level of profitability of construction industry in the PRC and the Hong Kong are likely to depend upon the continued availability of the major construction projects. A downturn in the PRC and the Hong Kong construction industry is likely to result in the possibility of availability, postponement, delay or cancellation of construction projects and delay in recovery of receivables, which would have an adverse impact on the Group's business and profitability.

Furthermore, for the Group's major market in Hong Kong, the Hong Kong government's plan on land and housing development could delay property and infrastructure development and cause a corresponding reduction in the demand for curtain walls, aluminium windows and doors, which would have a direct impact on the Group's business operations and financial performance.

Non-recurring in nature of the projects

The projects undertaken by the Group are awarded on a project-by-project basis. The Group's customers are under no obligation to continue to award contracts to the Group and there is no assurance that the Group's existing customers will continue to engage the Group for new projects in the future. The Group generally has to go through a competitive tendering process to secure new projects. The result of such process is beyond the Group's control, and there is no assurance that the Group can secure new projects from future tender submissions.

As at the Latest Practicable Date, the Group had 32 Design, Supply and Installation Projects on hand and the last expected completion time of such projects is year 2021. The duration of the Group's Design, Supply and Installation Projects usually ranges from 12 to 24 months. The Group cannot guarantee that it can continuously secure new projects after the completion of all its Design, Supply and Installation Projects on hand.

Accuracy in the estimation of time and costs involved in projects before submitting tenders or providing fee quotations

The Group generally determines the price of tender or quotation based on the estimated project costs plus a mark-up margin. The price of a contract would be determined and fixed once it is awarded to the Group. The Group generally carries out internal assessment and budgeting estimates of the various costs, including but not limited to, operating costs, labour costs, procurement and subcontracting costs, when preparing the tender or quotation to customers. The Group's pricing on its projects is generally evaluated on a project-by-project basis depending on several factors, including but not limited to, (i) the nature or type of the design and projects; (ii) the costs budget; (iii) the target completion date; (iv) the Group's projects on hand; (v) the availability of the Group's resources; and (vi) scale of the project.

However, the actual costs incurred and time spent for completing a project may vary from the estimation due to various factors, such as weather conditions, accidents, delay in obtaining approval and other unforeseen site conditions, departure of key project management and supervision personnel involved, substandard performance by the Group's subcontractors, and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a design, supply and installation project may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect the Group's financial performance and liquidity.

Supply and cost of materials

The Group's cost of materials charged to the consolidated statements of profit or loss and other comprehensive income amounted to approximately HK$119.2 million, HK$139.6 million, HK$114.0 million and HK$48.9 million, respectively, representing approximately 38.4%, 34.0%, 37.5% and 39.3% of the Group's total cost of sales during each of the three years ended 31 March 2018 and the five months ended 31 August 2018, respectively.

The supply and cost of materials are affected by macroeconomic conditions, production quantity and cost of such materials. Fluctuation in foreign exchange rates may also affect the Group's cost of materials since some of the Group's suppliers are located in the PRC. There is no assurance that the supply and cost of materials will remain stable. In the event that the cost of materials increases due to external factors, which are out of the Group's control, the Group's operations and profitability may be materially and adversely affected.

Performance and availability of subcontractors

As the Group does not employ any direct labour to carry out the installation works for its Design, Supply and Installation Projects, the Group subcontracted all the site installation works to external subcontractors for each of the three years ended 31 March 2018 and the five months ended 31 August 2018. For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, the Group's subcontracting and other charges charged to the consolidated statements of profit or loss and other comprehensive income amounted to approximately HK$95.3 million, HK$99.7 million, HK$84.0 million and HK$28.0 million, respectively, representing approximately 30.7%, 24.3%, 27.6% and 22.5% of the Group's total cost of sales for the corresponding year/period, respectively.

The Group is liable for the works performed by its subcontractors. The Group maintains a list of approved subcontractors, which is reviewed by the project team on an annual basis. The Group will select the subcontractor for the relevant project based on, including but not limited to, the tender price, technical capability, relevant work credentials and prior working relationship with the Group.

However, there is no guarantee in the availability of subcontractors or the work performance of the chosen subcontractors. In the event that the Group is not able to secure suitable subcontractors at an acceptable fee or the works performed by the Group's subcontractors are not up to standard, the Group may incur extra costs and hence its financial performance and reputation may be affected materially and adversely.

CRITICAL ACCOUNTING POLICIES, JUDGEMENT AND ESTIMATES

The discussion and analysis of the Group's financial position and results of operations as included in this listing document is based on the consolidated financial statements prepared using the significant accounting policies set out in "Note 4. Significant Accounting Policies" of the Accountants' Report in Appendix I to this listing document, which conform with the HKFRSs.

In the application of the Group's accounting policies, which are described in "Note 4. Significant Accounting Policies" of the Accountants' Report in Appendix I to this listing document, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgement in applying accounting policies

Below is the critical judgement, apart from those involving estimations, that the Directors have made in the process of applying the Group's accounting policies and that have the significant effect on the amounts recognised in the historical financial information. The Group also has other accounting policies that the Directors consider to be significant, the details of which are set out in "Note 4. Significant Accounting Policies" of the Accountants' Report in Appendix I to this listing document.

Deferred taxation on investment properties

For the purpose of measuring deferred tax arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolio and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Key sources of estimation uncertainty

Management had made the following estimations that have the most significant effect on the amounts recognised in the historical financial information and a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

Investment properties are carried in the consolidated statements of financial position at 31 March 2018 and 31 August 2018 at their fair value of approximately HK$60.3 million and HK$61.7 million, respectively. The fair value was based on valuation of these properties conducted by an independent property valuer. In determining the fair values of the Group's investment properties, the valuer applied a market value basis which involves, inter-alia, significant unobservable inputs and significant judgements, representing appropriate market rent and capitalisation rate.

Provision of expected credit loss for trade debtors and contract assets

Before the application of HKFRS 9, the Group makes allowances for trade debtors and contract assets based on the assessment of the recoverability, creditworthiness of customers and ages of trade debtors and contract assets.

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. Impairment on trade debtors is made based on estimation of the future cash flows discounted at the original effective interest rates. If the financial condition of the customers of the Group deteriorates, resulting in an impairment of their ability to make payments, additional impairment may be required.

Since the application of HKFRS 9 on 1 April 2018, management estimates the amount of loss allowance for the expected credit losses on trade debtors and contract assets that are measured at amortised cost based on the credit risk of trade debtors and contract assets. When measuring the expected credit losses, the Group uses reasonable and supportable forward-looking information (for example, the current and forecasted economic growth rates and unemployment rate in Hong Kong, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring the expected credit losses. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. The assessment of the credit risk of trade debtors and contract assets involve high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 August 2018, the carrying amounts of (i) trade debtors were approximately HK$5.0 million, HK$5.4 million, HK$62.0 million and HK$44.7 million, respectively; and (ii) contract assets were approximately HK$45.8 million, HK$56.3 million, HK$66.9 million and HK$61.9 million, respectively.

Provisions

Significant estimates are involved in the determination of provisions related to warranty costs and rectification work. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the reporting date, whether it is more likely than not that such warranty services and rectification work will result an outflow of resources and whether the amount of the obligation can be reliably estimated with reference to the relevant correspondences and contracts with customers. The management estimates the cost for warranty services and rectification work with regard to the

Group's experience in addressing such matters. As at 31 March 2016, 31 March 2017, 31March 2018 and 31 August 2018, the Group recognised provision related to warranty costs and rectification work amounting to HK$42.2 million, HK$115.1 million, HK$106.1 million and HK$110.5 million, respectively.

RESULTS OF OPERATIONS

The Group's consolidated statements of profit or loss and other comprehensive income during the Track Record Period are summarised below, which have been extracted from the Accountants' Report set out in Appendix I to this listing document. The following sections should be read in conjunction with the Accountants' Report set out in Appendix I to this listing document.

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Revenue	367,768	501,938	421,146	215,129	157,072
Cost of sales	(310,645)	(410,266)	(303,966)	(161,320)	(124,666)
Gross profit	57,123	91,672	117,180	53,809	32,406
Other income	1,515	1,405	1,799	928	1,278
Other gains (losses)	445	1,866	(5,083)	(2,250)	3,528
Impairment losses, net of reversal	927	–	(3,548)	–	212
Gain on change in fair value of investment properties	–	–	1,316	–	1,400
Administrative expenses	(23,061)	(26,847)	(40,134)	(14,796)	(15,065)
Finance costs	(1,810)	(1,046)	(2,646)	(1,477)	(891)
Listing expenses	-	-	[REDACTED]	–	[REDACTED]
Profit before taxation	35,139	67,050	64,950	36,214	11,368
Taxation	(3,875)	(11,713)	(14,838)	(7,325)	(2,414)
Profit for the year/period	31,264	55,337	50,112	28,889	8,954
Other comprehensive (expense) income:					
Item that may be subsequently reclassified to profit or loss:					
Exchange differences arising on translation of a foreign operation	(1,714)	(3,232)	6,541	3,115	(5,360)
Total comprehensive income for the year/period	29,550	52,105	56,653	32,004	3,594

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

The Group is a subcontractor principally engaged in the design, supply and installation of facade and curtain wall systems, with a focus on curtain walls, aluminium windows and doors. The Group provides one-stop design, supply and installation services for curtain walls, aluminium windows and doors, and works closely with customers and architects in its Design, Supply and Installation Projects to offer tailor-made designs and products to suit the project requirements. During the Track Record Period, the Group generally undertook Design, Supply and Installation Projects as a subcontractor and approximately 89.5% or above of the Group's revenue was derived from the projects located in Hong Kong.

The following table sets forth a breakdown of the Group's revenue during the Track Record Period by contract type:

	Year ended 31 March						Five months ended 31 August			
By contract type	**2016**		**2017**		**2018**		**2017**		**2018**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK'000* *(unaudited)*	*%*	*HK'000*	*%*
Design, supply and installation for curtain walls, aluminium windows, doors and other products for new buildings *(notes i and ii)*	245,410	66.7	347,555	69.2	242,888	57.7	141,623	65.8	68,308	43.5
Design, supply and installation for aluminium windows, doors and other products for new buildings *(note ii)*	116,913	31.8	153,869	30.7	162,161	38.5	72,885	33.9	87,000	55.4
Design, supply and installation for renovation works for existing buildings	2,435	0.7	191	–	14,737	3.5	–	–	892	0.6
Repairing, maintenance and others *(note iii)*	3,010	0.8	323	0.1	1,360	0.3	621	0.3	872	0.6
Total	367,768	100.0	501,938	100.0	421,146	100.0	215,129	100.0	157,072	100.0

Notes:

i The contract type involves aluminium windows, doors and other products in addition to curtain walls. The curtain walls are the principal products for the contract type and the principal revenue from this contract type is also from curtain walls.

ii Other products represent balustrade, louvre, cladding, window wall, canopy and grille.

iii Others mainly represent mock up.

The following table sets forth a breakdown of the Group's revenue by geographical location of the projects during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
By geographical location	**2016**		**2017**		**2018**		**2017**		**2018**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK'000* (*unaudited*)	*%*	*HK'000*	*%*
Hong Kong	342,941	93.2	483,397	96.3	377,094	89.5	173,304	80.6	152,181	96.9
PRC	24,827	6.8	18,541	3.7	44,052	10.5	41,825	19.4	1,631	1.0
Other (Saipan)	–	–	–	–	–	–	–	–	3,260	2.1
Total	367,768	100.0	501,938	100.0	421,146	100.0	215,129	100.0	157,072	100.0

During the Track Record Period, for the Group's revenue derived from and the projects undertaken in Hong Kong, some of the Group's contracts were nominated subcontractor contracts which were awarded as a result of the Group being chosen by the respective project's ultimate developer whereas some of them were domestic subcontractor contracts which were awarded as a result of the Group being chosen by the main contractors. The following table sets forth a breakdown of the Group's revenue in Hong Kong during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
Revenue derived from projects in Hong Kong	**2016**		**2017**		**2018**		**2017**		**2018**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK'000* (*unaudited*)	*%*	*HK'000*	*%*
Nominated subcontractor contracts (Hong Kong)	316,795	92.4	427,813	88.5	331,842	88.0	165,681	95.6	102,460	67.3
Domestic subcontractor contracts (Hong Kong)	26,146	7.6	55,584	11.5	45,252	12.0	7,623	4.4	49,721	32.7
Total	342,941	100.0	483,397	100.0	377,094	100.0	173,304	100.0	152,181	100.0

During the Track Record Period, the Group's revenue was mostly contributed from the contract types of design, supply and installation for (i) curtain walls, aluminium windows, doors and other products for new buildings; and (ii) aluminium windows, doors and other products for new buildings which in aggregate accounted for approximately 98.5%, 99.9%, 96.2% and 98.9% respectively, for each of the three years ended 31 March 2018 and the five months ended 31 August 2018.

Hong Kong had been the Group's principal market which contributed approximately 93.2%, 96.3%, 89.5% and 96.9%, respectively, of its total revenue for each of the three years ended 31 March 2018 and the five months ended 31 August 2018.

For the revenue derived from and the projects undertaken in Hong Kong, most of the contracts were nominated subcontractor contracts which accounted for approximately 92.4%, 88.5%, 88.0% and 67.3% of the revenue derived from the projects in Hong Kong, respectively, for each of the three years ended 31 March 2018 and the five months ended 31 August 2018.

It concludes from the above that (i) the Group was principally engaged in the design, supply and installation for (a) curtain walls, aluminium windows, doors and other products for new buildings; and (b) aluminum windows, doors and other products for new buildings; (ii) Hong Kong is the Group's principal market; and (iii) most of its revenue derived from Hong Kong was from nominated subcontractor contracts.

The following table sets forth a breakdown of the Group's projects based on their respective range of revenue recognised during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2016		2017		2018		2017		2018	
	Number of projects [note]	*HK'000*	*Number of projects* [note]	*HK'000*	*Number of projects* [note]	*HK'000*	*Number of projects* [note]	*HK'000*	*Number of projects* [note]	*HK'000*
							(unaudited)			
Revenue recognised										
Above HK$30 million	3	197,754	5	396,855	5	349,601	2	145,319	2	81,413
Above HK$10 million to HK$30 million	6	104,468	3	63,561	3	44,198	2	41,861	1	25,797
Above HK$1 million to HK$10 million	17	62,269	10	38,801	10	21,995	8	25,089	11	45,627
HK$1 million and below	22	3,277	20	2,721	25	5,352	11	2,860	11	4,235
	48	367,768	38	501,938	43	421,146	23	215,129	25	157,072
Average revenue recognised for each project		7,662		13,209		9,794		9,353		6,283

Note: For the purpose of this table, contracts with same project location and customer were categorised under the same project.

Projects with revenue recognised in an amount above HK$30 million accounted for approximately 53.8%, 79.1%, 83.0% and 51.8% of the total revenue recognised for each of the three years ended 31 March 2018 and the five months ended 31 August 2018, respectively.

The following table sets forth a detailed list of the projects contributing to the revenue during the Track Record Period:

					Year ended 31 March						Five months ended 31 August			
Project locations[1]:	**Type of contracts**	**Project awarded**	**Practical completion**	**Original contract sum (amounts of variation orders not yet included) [1]**	**2016**		**2017**		**2018**		**2017**		**2018**	
				HK$'000	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Tong Chun Street	Type A[3]	January 2014	February 2016	145,460	109,013[2]	29.6	3,237	0.6	276	0.1	–	–	–	–
Castle Road	Type A[3]	July 2013	January 2017	76,715	49,525[2]	13.5	21,879	4.4	2,478	0.6	90	0.0	–	–
Conduit Road	Type A[3]	August 2014	September 2016	61,244	39,216[2]	10.7	23,537	4.7	320	0.1	717	0.3	815	0.5
Tong Yin Street	Type A[3]	June 2015	August 2017	136,220	8,353	2.3	129,419[2]	25.8	4,880	1.2	3,458	1.6	472	0.3
Chi Shin Street	Type A[3]	June 2015	September 2017	140,780	6,014	1.6	104,605[2]	20.8	32,983[2]	7.8	28,841	13.4	–	–
So Kwun Wat	Type B[4]	November 2014	December 2017	101,300	14,661	4.0	75,950[2]	15.1	10,278	2.4	4,108	1.9	2,227	1.4
Lai Ping Road	Type A[3]	October 2015	May 2018	199,394	–	–	50,536[2]	10.1	151,547[2]	36.0	103,493[2]	48.1	7,392	4.7
Kau To Shan	Type B[4]	June 2015	July 2017	51,300	10,056	2.7	36,345[2]	7.2	3,900	0.9	1,713	0.8	–	–
Lung Cheung Road	Type A[3] & B[4]	December 2016 & January 2017	In progress	99,880	–	–	–	–	63,398[2]	15.1	13,020	6.1	25,797	16.4
Lohas Park – Package 6	Type B[4]	December 2016 & August 2017	In progress	165,800	–	–	–	–	57,838[2]	13.7	8,390	3.9	47,144[2]	30.0
An Tuo Hill	Type B[4]	April 2016	In progress	74,259	–	–	18,145	3.6	43,835[2]	10.4	41,825[2]	19.4	–	–
Pak Shek Kok	Type A[3]	December 2016	In progress	77,435	–	–	–	–	20,832	4.9	2,870	1.3	34,269[2]	21.8
Mount Nicholson Road	Type B[4]	March 2013	June 2016	90,153	22,966	6.2	4,780	1.0	3,064	0.7	1,903	0.9	4,378	2.8
Grampian Road	Type A[3]	July 2014	July 2016	27,380	25,114	6.8	683	0.1	–	–	–	–	1,940	1.2
Kadoorie Avenue	Type B[4]	March 2014	December 2017	25,400	16,652	4.5	8,238	1.6	292	0.1	39	0.0	16	0.0
Haining	Type B[4]	March 2015	December 2016	approximately 20,338 (RMB16,270,000)	15,019	4.1	–	–	–	–	–	–	1,631	1.0
Lohas Park – Package 7	Type A[3]	November 2017	In progress	190,000	–	–	–	–	1,133	0.3	–	–	7,085	4.5
Lok Wo Sha	Type B[4]	October 2017	In progress	50,000	–	–	–	–	226	0.1	–	–	6,362	4.1
Area 115, Tin Shui Wai	Type A[3]	January 2018	In progress	86,500	–	–	–	–	–	–	–	–	5,323	3.4
Others					51,179	13.9	24,584	4.9	23,866	5.7	4,662	2.2	12,221	7.8
Total					367,768	100.0	501,938	100.0	421,146	100.0	215,129	100.0	157,072	100.0

Following are detailed locations for the above projects as stated in the contracts:

Tong Chun Street	18 Tong Chun Street, Tseung Kwan O, N.T.
Castle Road	2 Castle Road (formerly known as phase 2, 33 Seymour Road), Hong Kong
Conduit Road	No. 31 Conduit Road, Mid-level, Hong Kong
Tong Yin Street	33 Tong Yin Street, TKOTL 125, Area 68A1, Tseung Kwan O, N.T.
Chi Shin Street	TKOTL 112, Area 65C1, Tseung Kwan O, New Territories
So Kwun Wat	TMTL 423, Area 48, Castle Peak Road, So Kwun Wat, Tuen Mun, N.T.
Lai Ping Road	STTL 567, Area 56A, Kau To, Shatin, N.T., Hong Kong
Kau To Shan	STTL 566 in Area 56A, Kau To Shan, Shatin, N.T.
Lung Cheung Road	NKIL No. 6532, Lung Cheung Road, Beacon Hill, Kowloon
Lohas Park – Package 6	Site N of TKOTL 70 RP Lohas Park Package 6
An Tuo Hill	深圳安托山項目北地塊 (translate as "Shenzhen An Tuo Hill North Land Slot")
Pak Shek Kok	TPTL 225, Pak Shek Kok, Tai Po, N.T.
Mount Nicholson Road	No. 8 Mount Nicholson Road, Hong Kong
Grampian Road	No. 11 Grampian Road, Kowloon NKIL 2602, S.A. & RP.
Kadoorie Avenue	109–135 Kadoorie Avenue, Homantin, Kowloon, Hong Kong
Haining	浙江省海寧市城南新區4–5號地塊 (translate as "Zhejiang Province Haining City South City New Zone Nos. 4–5 Land Slot")
Lohas Park – Package 7	Lohas Park Seven at TKOTL 70 RP, Site C1, New Territories
Lok Wo Sha	STTL 605 Lok Wo Sha Lane at Ma On Shan, Sha Tin
Area 115, Tin Shui Wai	TSWTL 34, Area 115, Tin Shui Wai, N.T.

Notes:

(1) For the purpose of this table, contracts with same project location and customer were categorised under the same project and their respective contract sums were aggregated accordingly.

(2) They represent projects with revenue recognised in an amount above HK$30 million.

(3) Type A represents "Design, supply and installation for curtain walls, aluminium windows, doors and other products for new buildings".

(4) Type B represents "Design, supply and installation for aluminium windows, doors and other products for new buildings".

Generally, higher proportion of revenue is recognised in the execution-peak stage of a project as most of the works are carried out in this execution stage while lower proportion is recognised in both of the pre execution-peak stage and the post execution-peak stage of a project.

For the year ended 31 March 2017, the Group's revenue increased by approximately HK$134.2 million or 36.5% to approximately HK$501.9 million for the year ended 31 March 2017 from approximately HK$367.8 million for the year ended 31 March 2016. Such increase was mainly a combined effect of (i) the increase in revenue amounted to approximately HK$219.7 million which was derived from projects at Tong Yin Street and Chi Shin Street as these projects were roughly in their execution-peak stage; (ii) the commencement of a new project at Lai Ping Road which started to contribute approximately HK$50.5 million of the revenue during the year ended 31 March 2017; and offset by (iii) the decrease in revenue derived from projects at Tong Chun Street and Castle Road in an aggregate amount of approximately HK$133.4 million as these projects were roughly in their post execution-peak stage and the majority of the works had been carried out in the previous year(s). To this, the average revenue recognised for each project increased to approximately HK$13.2 million for the year ended 31 March 2017 from approximately HK$7.7 million for the year ended 31 March 2016.

For the year ended 31 March 2018, the Group's revenue decreased by approximately HK$80.8 million or 16.1% to approximately HK$421.1 million for the year ended 31 March 2018 from approximately HK$501.9 million for the year ended 31 March 2017. Such decrease was primarily a combined effect of (i) the decrease in revenue in an aggregate amount of approximately HK$317.5 million derived from projects at Conduit Road, Tong Yin Street, Chi Shin Street, So Kwun Wat and Kau To Shan as these projects are roughly in their post execution-peak stage and most of the works had been carried out in the previous year(s); offset by (ii) the increase in revenue in an aggregate amount of approximately HK$101.0 million derived from the project at Lai Ping Road which was roughly in its execution-peak stage; and (iii) the commencement of new projects at Lung Cheung Road, Lohas Park – Package 6 and Pak Shek Kok which started to contribute an aggregated amount of approximately HK$142.1 million during the year ended 31 March 2018. To this, the average revenue recognised for each project decreased to approximately HK$9.8 million for the year ended 31 March 2018 from approximately HK$13.2 million for the year ended 31 March 2017.

For the five months ended 31 August 2018, the Group's revenue decreased by approximately HK$58.1 million or 27.0% to approximately HK$157.1 million for the five months ended 31 August 2018 from approximately HK$215.1 million for the five months ended 31 August 2017. Such decrease was primarily a combined effect of (i) the decrease in revenue of approximately HK$28.8 million for the project at Chi Shin Street and approximately HK$96.1 million for the project at Lai Ping Road as their respective Practical Completion Certificate had been issued in the year ended 31 March 2018 or early in the five months ended 31 August 2018 signifying the substantial completion of the works under the respective original contract; (ii) the decrease in revenue of approximately HK$41.8 million derived from the project at An Tuo Hill as the carrying out of the contract works for the project by the Group was mainly conducted in the years ended 31 March 2017 and 31 March 2018; offset by (iii) the increase in revenue in an aggregate amount of approximately HK$82.9 million derived from the projects at Lung Cheung Road, Lohas Park – Package 6 and Pak Shek Kok which were roughly in its execution-peak stage; and (iv) the commencement of new projects at Lohas Park – Package 7, Lok Wo Sha and Area 115, Tin Shui Wai which started to contribute an aggregated amount of approximately HK$18.8 million during the five months ended 31 August 2018. To this, the average revenue recognised for each project decreased to approximately HK$6.3 million for the five months ended 31 August 2018 from approximately HK$9.4 million for the five months ended 31 August 2017.

Cost of sales

Cost of sales primarily comprises (i) costs of inventories; and (ii) subcontracting and other charges, which in aggregate accounted for approximately 74.9%, 64.0%, 70.9% and 63.0% of the Group's total cost of sales for each of the three years ended 31 March 2018 and the five months ended 31 August 2018. The following table sets forth a breakdown of the cost of sales during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2016		2017		2018		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (*unaudited*)	*%*	*HK$'000*	*%*
Costs of inventories	137,194	44.2	162,690	39.7	131,710	43.3	58,797	36.4	50,515	40.5
Subcontracting and other charges	95,267	30.7	99,660	24.3	84,044	27.6	52,023	32.2	28,005	22.5
Provision for rectification works	37,258	12.0	80,049	19.5	20,323	6.7	14,762	9.2	23,874	19.2
Provision for warranty	2,327	0.7	19,427	4.7	19,109	6.3	15,291	9.5	1,573	1.3
Preliminary project costs	12,424	4.0	17,359	4.2	10,587	3.5	6,742	4.2	4,928	4.0
Project staff costs	26,175	8.4	31,081	7.6	36,731	12.1	13,705	8.5	15,771	12.7
Provision for inventory	–	–	–	–	1,462	0.5	–	–	–	–
Total	310,645	100.0	410,266	100.0	303,966	100.0	161,320	100.0	124,666	100.0

(i) Costs of inventories

Costs of inventories represent cost of materials, production labour costs and PRC fabrication plant overhead. Among the balance of costs of inventories, cost of materials amounted to approximately HK$119.2 million, HK$139.6 million, HK$114.0 million and HK$48.9 million for each of the three years ended 31 March 2018 and the five months ended 31 August 2018, respectively, representing approximately 38.4%, 34.0%, 37.5% and 39.3% of the Group's total cost of sales for the corresponding year/period, respectively.

Materials represent the charges paid and payable to the Group's suppliers for purchase of materials being installed/utilised in the Group's Design, Supply and Installation Projects. Materials utilised mainly represents aluminium, steel and glass. During the Track Record Period, all of the Group's major suppliers were either located in Hong Kong or the PRC.

Generally, more materials will be used in the execution-peak stage of a project whereas much less materials will be used in the post execution-peak stage of a project.

For the year ended 31 March 2017, cost of materials increased by approximately HK$20.4 million or 17.1% to HK$139.6 million for the year ended 31 March 2017 from approximately HK$119.2 million for the year ended 31 March 2016. Such increase was mainly a combined effect of (i) the increase in materials used for the projects at Tong Yin Street and Chi Shin Street which the projects were roughly in their execution-peak stage; and offset by (ii) the decrease in materials used for the project at Tong Chun Street which the project was nearly in its post execution-peak stage during the year.

For the year ended 31 March 2018, cost of materials decreased by approximately HK$25.6 million or 18.3% to approximately HK$114.0 million for the year ended 31 March 2018 from approximately HK$139.6 million for the year ended 31 March 2017. Such decrease was mainly a combined effect of (i) the decrease in materials used for the projects at Tong Yin Street, Chi Shin Street, So Kwun Wat and Kau To Shan which were roughly in their post execution-peak stage; and offset by (ii) the increase in materials used for the projects at Lai Ping Road, Lohas Park – Package 6 and An Tuo Hill which were roughly in their execution-peak stage during the year.

For the five months ended 31 August 2018, cost of materials increased by approximately HK$5.6 million or 13.0% to approximately HK$48.9 million for the five months ended 31 August 2018 from approximately HK$43.3 million for the five months ended 31 August 2017. Such increase was mainly a combined effect of (i) the increase in materials used for the projects at Lung Cheung Road, Lohas Park – Package 6 and Pak Shek Kok, which were roughly in their execution-peak stage; (ii) the commencement of new projects at Lohas Park – Package 7, Lok Wo Sha and Area 115, Tin Shui Wai; and offset by (iii) the decrease in materials used for the projects at Chi Shin Street, Lai Ping Road and An Tuo Hill which either that the contract works for the projects were substantially completed in the year ended 31 March 2018 or early in the five months ended 31 August 2018. Basically, the variances of cost of materials for the above projects fluctuated in line with that for the revenue of the same projects.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's cost of materials on its profit during the Track Record Period. The hypothetical fluctuation rates are set at the range of 1% and 4.4% with reference to the historical price trend of aluminum, steel and glass in Hong Kong and the PRC from 2013 to 2017 (i.e. range of CAGR from 2013 to 2017 for costs of each of the materials) as shown in the Ipsos Report (please refer to the sections headed "Industry Overview – Key Costs in Facade and Curtain Wall Works Industry in Hong Kong" and "Key Costs in Facade and Curtain Wall Works Industry in China" of this listing document) which are considered to be reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in materials	**–4.4%**	**–1%**	**+1%**	**+4.4%**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in profit before tax for:				
the year ended 31 March 2016	5,243	1,192	(1,192)	(5,243)
the year ended 31 March 2017	6,143	1,396	(1,396)	(6,148)
the year ended 31 March 2018	5,016	1,140	(1,140)	(5,016)
the five months ended 31 August 2018	2,154	489	(489)	(2,154)
Change in profit after tax for:				
the year ended 31 March 2016	4,378	995	(995)	(4,378)
the year ended 31 March 2017	5,129	1,166	(1,166)	(5,129)
the year ended 31 March 2018	4,188	952	(952)	(4,188)
the five months ended 31 August 2018	1,798	409	(409)	(1,798)

Note: The Hong Kong Profits Tax rate of 16.5% is applied for the illustration of increase or decrease in profit for the year/period. No PRC Enterprise Income Tax is considered for the purpose as its effect to the Group is immaterial during the Track Record Period.

(ii) Subcontracting and other charges

Subcontracting and other charges mainly represent the charges paid and payable to the Group's subcontractors who provide installation services at construction sites for the Group's projects.

Generally, more subcontracting and other charges will be incurred in the execution-peak stage of a project as most of the installation works are carried out in this stage whereas much less installation works are carried out in the pre execution-peak stage and post execution-peak stage of a project. For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, subcontracting and other charges amounted to approximately HK$95.3 million, HK$99.7 million, HK$84.0 million and HK$28.0 million respectively, representing approximately 30.7%, 24.3%, 27.6% and 22.5% of the Group's total cost of sales for the corresponding year/period, respectively.

For the year ended 31 March 2017, the subcontracting and other charges increased by approximately HK$4.4 million or 4.6% to approximately HK$99.7 million for the year ended 31 March 2017 from approximately HK$95.3 million for the year ended 31 March 2016. Such increase was mainly a combined effect of (i) the increase in subcontracting and other charges incurred for projects at Tong Yin Street and Chi Shin Street which were roughly in their execution-peak stage, and the project at Lai Ping Road which substantial amount of the installation works were carried out in the year; and offset by (ii) the decrease in subcontracting and other charges incurred for the projects at Tong Chun Street, Conduit Road, Mount Nicholson Road and Grampian Road which were roughly in their post execution-peak stage in the year and most of installation works were carried out in the previous year(s).

For the year ended 31 March 2018, the subcontracting and other charges decreased by approximately HK$15.6 million or 15.7% to approximately HK$84.0 million for the year ended 31 March 2018 from approximately HK$99.7 million for the year ended 31 March 2017. Such decrease was mainly a combined effect of (i) the decrease in subcontracting and other charges incurred for projects at Tong Yin Street and Chi Shin Street as the projects were roughly in their post execution-peak stage in the year and most of the installation works were carried out in the previous year(s); and offset by (ii) the increase in subcontracting and other charges for the project at Lai Ping Road which was in its execution-peak stage with most of the installation works were carried out during the year.

For the five months ended 31 August 2018, the subcontracting and other charges decreased by approximately HK$24.0 million or 46.2% to approximately HK$28.0 million for the five months ended 31 August 2018 from approximately HK$52.0 million for the five months ended 31 August 2017. Such decrease was mainly due to the decrease in subcontracting and other charges incurred for the projects at Chi Shin Street and Lai Ping Road which the contract works under the respective original contract for the projects had substantially completed in the year ended 31 March 2018 or early in the five months ended 31 August 2018.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's subcontracting and other charges on its profits during the Track Record Period. The hypothetical fluctuation rates are set at (i) 6.0% with reference to the fluctuation in the average daily wage of direct labour in the facade and curtain wall industry in Hong Kong during 2013 to 2017 (i.e. CAGR from 2013 to 2017 for average wage of direct labours in Hong Kong) as shown in the Ipsos Report (please refer to the section headed "Industry Overview – Key Costs in Facade and Curtain Wall Works Industry in Hong Kong" of this listing document); and (ii) 8.7% with reference to the expected increase in Hong Kong's statutory minimum wage to HK$37.5 per hour from HK$34.5 per hour, expected to come into force on 1 May 2019, subject to the Legislative Council's approval (please refer to the section headed "Regulatory Overview — Minimum Wage Ordinance (Chapter 608 of the laws of Hong Kong)" of this listing document for details):

Hypothetical fluctuations in subcontracting and other charges	**-8.7%**	**-6%**	**+6%**	**+8.7%**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in profit before tax for:				
the year ended 31 March 2016	8,288	5,716	(5,716)	(8,288)
the year ended 31 March 2017	8,670	5,980	(5,980)	(8,670)
the year ended 31 March 2018	7,312	5,043	(5,043)	(7,312)
the five months ended 31 August 2018	2,436	1,680	(1,680)	(2,436)
Change in profit after tax for:				
the year ended 31 March 2016	6,920	4,773	(4,773)	(6,920)
the year ended 31 March 2017	7,239	4,993	(4,993)	(7,239)
the year ended 31 March 2018	6,106	4,211	(4,211)	(6,106)
the five months ended 31 August 2018	2,034	1,403	(1,403)	(2,034)

Note: The Hong Kong profits tax rate of 16.5% is applied for the illustration of increase or decrease in profit for the year/period. No PRC Enterprise Income Tax is considered for the purpose as its effect to the Group is immaterial during the Track Record Period.

(iii) Provision for rectification works charged to the consolidated statements of profit or loss and other comprehensive income

Provision for rectification work relates to the estimated cost of work to be carried out for rectification of curtain walls, aluminium windows, doors and other products supplied to the Group's customers during the defects liability period, for a maximum period of two years, based on management's prior experience. These amounts have not been discounted for the purpose of measuring the provision for rectification work because the effect is not material. The amount of provision for rectification works charged to the consolidated statements of profit or loss and other comprehensive income is an amount of rectification works recognised, net of reversal for the year/period. Reversal represents the excess amount of rectification works previously recognised for the projects which their respective defects liability period becomes expired during the year/period and thus, no further rectification works were required and the related excess provided amounts are written back.

The following sets forth the percentage of provision for rectification works recognised during the year/period to revenue during the Track Record Period:

	For the year ended 31 March			Five months ended 31 August	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Provision for rectification works recognised during the year/period	37,758	80,949	21,823	14,762	23,874
Less: Reversal	(500)	(900)	(1,500)	–	–
Provision for rectification works charged to the consolidated statements of profit or loss and other comprehensive income during the year/period	37,258	80,049	20,323	14,762	23,874
Percentage of provision for rectification works recognised during the year/period to revenue	10.3%	16.1%	5.2%	6.9%	15.2%

The amount of provision for rectification works recognised during the year/period is regularly assessed during the year/period, based on individual project basis and management's prior experience which has been referenced to a percentage (which in turn is referenced on the percentage of the historical actual rectification work expenses to the contract amount) of the lower of the accumulated recognised sales amount or the contract sum. The amount is provided when the Group expects that it is likely that rectification works will be required. Normally, the Group starts to provide for the rectification work when the rectification work of a project, if any, can be foreseeable. The amount of the provision will be generally affected by, among other things, the following:

(i) After the rectification works has become foreseeable for a project, in the early stage of rectification provision period where lower percentage of rectification works will be provided when the percentage of accumulated sales to the original contract sum is lower as by that time, some costs of rectification have not yet become foreseeable or measureable. When the project near completion where the percentage of accumulated sales to the original contract sum approaching 100%, almost all costs of rectification should have become foreseeable and measureable and accordingly, higher amount and higher percentage of rectification works have to be provided.

(ii) As the amount of rectification works recognised is assessed on individual project basis utilising the management's prior experience after taking into account the status and circumstance of the respective project from time to time, it differs from project to project. Generally, the amount of rectification works recognised for each of the projects will be affected by a number factors, such as the duration of the defects liability period, the quality requirements of the developers and main contractors and the number of flats involved. The above factors vary with project by project substantially.

For the year ended 31 March 2016, rectification works were foreseeable for six projects and the provisions were made accordingly. The total original contract sum for these six projects were approximately HK$409.5 million. The amount of rectification works recognised during the year were approximately HK$37.8 million which represented approximately 9.2% of their total original contract sum. Among the HK$37.8 million of the additional provision for rectification works recognised for the year ended 31 March 2016, it was mainly for the projects at Tong Chun Street and Mount Nicholson Road with an aggregate amount of approximately HK$29.2 million which accounted for approximately 77.2% of the total rectification works recognised during the year. The percentage of rectification works recognised during the year to revenue was approximately 10.3% for the year ended 31 March 2016.

For the year ended 31 March 2017, rectification works for 11 projects were foreseeable and the provisions were made accordingly. The total original contract sum for these 11 projects were approximately HK$816.5 million. The amount of rectification works recognised during the year were approximately HK$80.9 million which represented approximately 9.9% of their total original contract sum and was comparable to that of approximately 9.2% for the year ended 31 March 2016. Among the HK$80.9 million of the additional provision for rectification works recognised for the year ended 31 March 2017, it was mainly for the projects at Conduit Road, Tong Yin Street and Chi Shin Street with an aggregate amount of approximately HK$62.7 million which accounted for approximately 77.5% of the total rectification works recognised during the year. The percentage of rectification works recognised during the year to revenue was approximately 16.1% for the year ended 31 March 2017.

For the year ended 31 March 2017, the Group's rectification works recognised during the year increased by approximately HK$43.2 million or 114.4% to approximately HK$80.9 million from approximately HK$37.8 million for the year ended 31 March 2016. Also, the percentage of rectification works recognised during the year to revenue increased to approximately 16.1% for the year ended 31 March 2017 from approximately 10.3% for the year ended 31 March 2016. Such increases were due to that more projects, both in terms of number and size, which their respective rectification works were foreseeable during the year and accordingly, the Group expected to provide sizeable rectification work. This can be evidenced by that the number of projects which their respective rectification work were foreseeable increased to 11 projects with total original contract sum of approximately HK$816.5 million for the year ended 31 March 2017 from six projects with total original contract sum of approximately HK$409.5 million for the year ended 31 March 2016. Such increases were also due to a general higher percentage of rectification works recognised during the year to their respective original contract sum for certain particular projects as certain of their respective project owners were comparatively quality demanding.

For the year ended 31 March 2018, rectification works for four projects were foreseeable and the provisions were made accordingly. The total original contract sum for these four projects were approximately HK$312.6 million. The amount of rectification works recognised during the year were approximately HK$21.8 million which represented approximately 7.0% of their total original contract sum. Among the HK$21.8 million of the additional provision for rectification works recognised for the year ended 31 March 2018, it was mostly for the project at Lai Ping Road. The percentage of rectification works recognised during the year to revenue was approximately 5.2% for the year ended 31 March 2018.

For the year ended 31 March 2018, the Group's rectification works recognised during the year decreased by approximately HK$59.1 million or 73.0% to approximately HK$21.8 million for the year ended 31 March 2018 from approximately HK$80.9 million for the year ended 31 March 2017. Such decrease was due to that less number of projects and less sizeable projects which their respective rectification works were foreseeable during the year and accordingly, the Group provided less amount of rectification work. This can be evidenced by that the number of projects which their respective rectification work were foreseeable decreased to four projects with total original contract sum of approximately HK$312.6 million for the year ended 31 March 2018 from 11 projects with total original contract sum of approximately HK$816.5 million for the year ended 31 March 2017.

For the year ended 31 March 2018, the amount of rectification works recognised during the year to their total original contract sum decreased to approximately 7.0% for the year ended 31 March 2018 from 9.9% for the year ended 31 March 2017. Also, the percentage of rectification works recognised during the year to revenue decreased to approximately 5.2% for the year ended 31 March 2018 from approximately 16.1% for the year ended 31 March 2017. Such decreases were due to a general lower percentage of or no rectification works recognised during the year to the original contract sum for certain particular projects as the projects were still in the early stage of installation works; or provision of the rectification works had been fully made in the previous year; or the nature of the project required no installation works at all and no provision needed accordingly. Although these projects having lower or even no rectification works recognised for the year, they at the same time contributed substantial amount of revenue for the year. In this regard, in particular for the following projects:

1) The projects at Lung Cheung Road, Lohas Park – Package 6 and Pak Shek Kok just started contributing revenue for the year but with a sizeable amount which accounted for approximately 33.7% of the Group's total revenue for the year ended 31 March 2018. They were then in a stage too early to estimate the likelihood and the amount of the rectification work or to recognise a sizeable provision.

2) Numerous certain projects that contributed sizeable amount of revenue which accounted for approximately 14.8% of the Group's total revenue for the year ended 31 March 2018 did not require any provision of rectification works to be made for the year as full provision of the rectification work had been fully made in the previous year(s).

3) For the project at An Tuo Hill which accounted for approximately 10.4% of the Group's total revenue for the year ended 31 March 2018, it involved supply of finished products which the products had been inspected and accepted by the customer upon the delivery and so, no provision for rectification work was necessary.

For the five months ended 31 August 2017, rectification works for two projects were foreseeable and the provisions were made accordingly. The total original contract sum for these two projects were approximately HK$211.2 million. The amount of rectification works recognised during the period were approximately HK$14.8 million which represented approximately 7.0% of their total original contract sum. Among the HK$14.8 million of the additional provision for rectification works recognised for the five months ended 31 August 2017, it was mostly for the project at Lai Ping Road. The percentage of rectification works recognised during the period to revenue was approximately 6.9% for the five months ended 31 August 2017.

For the five months ended 31 August 2018, rectification works for four projects were foreseeable and the provisions were made accordingly. The total original contract sum for these four projects were approximately HK$344.6 million. The amount of rectification works recognised during the period were approximately HK$23.9 million which represented approximately 6.9% of their total original contract sum. Among the HK$23.9 million of the additional provision for rectification works recognised for the five months ended 31 August 2018, it was mainly for the projects at Lung Cheung Road, Lohas Park – Package 6 and Pak Shek Kok with an aggregate amount of approximately HK$23.8 million which accounted for approximately 99.6% of the total rectification works recognised during the period. The percentage of rectification works recognised during the period to revenue was approximately 15.2% for the five months ended 31 August 2018.

For the five months ended 31 August 2018, the Group's rectification works recognised during the period increased by approximately HK$9.1 million or 61.7% to approximately HK$23.9 million for the five months ended 31 August 2018 from approximately HK$14.8 million for the five months ended 31 August 2017. Such increase was due to that more number of projects which their respective rectification works were foreseeable during the period and accordingly, the Group provided more amount of rectification works. This can be evidenced by that the number of projects which their respective rectification work were foreseeable increased to four projects with total original contract sum of approximately HK$344.6 million for the five months ended 31 August 2018 from two projects with total original contract sum of approximately HK$211.2 million for the five months ended 31 August 2017. For the five months ended 31 August 2018, the amount of rectification works recognised during the period to their total original contract sum remained relatively stable at approximately 6.9% comparing with that of 7.0% for the year ended 31 March 2018. On the other hand, the percentage of rectification works recognised during the period to revenue increased to approximately 15.2% for the five months ended 31 August 2018 from approximately 5.2% for the year ended 31 March 2018. This was because, for the year ended 31 March 2018, the percentage of rectification works recognised during the year to revenue remained at a relatively low level as the projects contributed substantial amount of revenue for the year at the same time having lower or even no rectification works recognised for the year ended 31 March 2018 which in turn were further detailed in the previous paragraph. In this regard, the percentage of rectification works recognised during the period to revenue of approximately 15.2% for the five months ended 31 August 2018 was more comparable to that for the year ended 31 March 2017 of approximately 16.1%.

(iv) Provision for warranty charged to the consolidated statements of profit or loss and other comprehensive income

The warranty provision represents management's best estimation of the Group's liability under the warranty period, for a period of maximum of 15 years from the end of the defect liability period for the Design, Supply and Installation Projects based on management's prior experience.

The following sets forth the percentage of warranty expenses to revenue during the Track Record Period:

	For the year ended 31 March			**Five months ended 31 August**	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*	*HK$'000*
Provision for warranty charged to the consolidated statements of profit or loss and other comprehensive income during the year/period	2,327	19,427	19,109	15,291	1,573
Percentage of provision for warranty recognised during the year/period to revenue	0.6%	3.9%	4.5%	7.1%	1.0%

The amount of the warranty expense provided for in a year/period is the difference between the warranty provision as at the year/period ended of a year/period and that as at the year/period ended in the previous year/period after taking into account the utilisation amount and the imputed interests expense on warranty provision during the year/period. The amount of the warranty provision as at the year/period ended is estimated based on a number of factors which include annual historical utilisation of warranty provision, contract sum with warranty cover, accumulated recognised sales amount, warranty period of up to a maximum of 15 years for the project, annual increment for the warranty provision and the discounting effect on the future cash outflows. Among the above factors where (i) the annual historical utilisation of warranty provision were approximately HK$0.4 million, HK$1.3 million, HK$2.9 million and HK$2.1 million for each of the three years ended 31 March 2018 and for the five months ended 31 August 2018, respectively; (ii) the contract sum with warranty cover represented the aggregated contract sum of each of the projects with warranty cover which were at the end of the defects liability period as at the relevant year ended and were then ready to provide the warranty; (iii) the annual increment forthe warrant provision comprised the estimated annual inflation and the salary increment for the respective year which ranged from 9% to 12% during the Track Record Period; and (iv) the discounting effect on the future cash outflows represented 5% per annum which in turn was referenced to the Group's highest borrowing costs during the Track Record Period.

The Group's provision for warranty charged to the consolidated statements of profit or loss and other comprehensive income was kept at a low level at approximately HK$2.3 million for the year ended 31 March 2016 and increased substantially by approximately HK$17.1 million or 734.9% to approximately HK$19.4 million for the year ended 31 March 2017, and then remained fairly stable at approximately HK$19.1 million for the year ended 31 March 2018. The percentage of provision for warranty to revenue also replicated this trend that it was kept at a low level at approximately 0.6% for the year ended 31 March 2016 and increased substantially to 3.9% for the year ended 31 March 2017, and then remained at a comparable level of approximately 4.5% for the year ended 31 March 2018.

For the year ended 31 March 2016, the warranty expenses was exceptionally low as (i) the warranty provision utilised (i.e. approximately HK$0.4 million) for the year and thus the percentage of annual historical utilisation of warranty provision to the contract amount with warranty cover was substantially lower; and (ii) the accumulated recognised sales amount and the contract sum secured by the Group as at the year ended 31 March 2016 were also comparatively lower. For the former, mainly because only a small working team with junior staff was engaged to handle the warranty matter and thus resulting the lower warranty costs. For the latter, the size of the Group's secured contracts was usually lower prior to the year ended 31 March 2016. For the year ended 31 March 2016, the provision for warranty was mainly for the project at Tong Chun Street.

For the year ended 31 March 2017 and 2018, apart from the Group's strengthened ability to source some high value contracts, the high value of the contracts also started to contribute very substantial amount of revenue to the Group (such as the projects at Tong Yin Street, Chi Shin Street, So Kwun Wat, Lai Ping Road and Lohas Park – Package 6 which each of the original contract sum all exceeded HK$100 million and such contract value was rare for the Group before the year ended 31 March 2017). To cater for the expected demand in warranty works for the coming years, since in the year ended 31 March 2017, the Group also expanded its warranty capacity by recruiting two supervisory level staff to supervise and monitor the works for the warranty which in turn increased the utilisation of warranty provision. Weather was another factor which increased the utilisation of warranty provision, like after typhoons, warranty claims for damaged windows, water leakage and other damages often increased. In this regard, for the year ended 31 March 2016, there was only one typhoon signal 8 or above hoisted. However, the number increased to two and five for the years ended 31 March 2017 and 2018, respectively. These typhoons caused certain damages to the windows / curtain walls of the Group's projects which the project owners required the Group to recover. In this regard, for the years ended 31 March 2017 and 2018, the utilisation of warranty provision amounted to approximately HK$1.3 million and HK$2.9 million, respectively, increased from the amount of HK$0.4 million for the year ended 31 March 2016. Furthermore, the above surge in the annual amount of the warranty costs had to be compounded with the annual inflation effect and the salary increment effect which further had to be compounded for a period of up to 15 years (i.e. the warranty period). This resulted the warranty provision as at 31 March 2017 to be substantially higher than that as at 31 March 2016. The substantial increment was then charged to the consolidated statements of profit or loss and other comprehensive income as the provision for warranty for the year.

The percentage of provision for warranty to revenue decreased to 1.0% for the five months ended 31 August 2018 from approximately 4.5% for the year ended 31 March 2018. The other factors in coming up with the warranty provision as at the five months ended 31 August 2018 (such as contract sum with warranty cover or accumulated recognised sales amount, warranty period of up to a maximum of 15 years, annual increment for the warranty provision and the discounting rate) were without material fluctuations. As such, the ending balances of warranty provision as at 31 August 2018 and 31 March 2018 were also without material fluctuations, leaving not material amount of warranty expense charged to the consolidated statements of profit or loss and other comprehensive income (i.e. approximately HK$1.6 million) for the five months ended 31 August 2018.

For the year ended 31 March 2017, the provision for warranty was mainly for the projects at Tong Chun Street, Tong Yin Street, Chi Shin Street, So Kwun Wat and Lai Ping Road.

For the year ended 31 March 2018, other than the five projects for the previous year as mentioned above, the provision for warranty was also mainly for the projects at Lai Ping Road, Lung Cheung Road and Lohas Park – Package 6.

For the five months ended 31 August 2018, other than the projects for the previous year mentioned above, the provision for warranty was mainly for the project at Pak Shek Kok.

Regarding the percentage of provision for warranty charged to the consolidated statements of profit or loss and other comprehensive income to the total contract sum with warranty cover, the percentage increased to approximately 1.1% for the year ended 31 March 2017 from approximately 0.1% for the year ended 31 March 2016. This was due to the substantial surge in the amount of provision for warranty for the year ended 31 March 2017 comparing with that for the year ended 31 March 2016 together with a relatively mild increase in the total contract sum with warranty cover as at the year ended 31 March 2017 comparing with that as at the year ended 31 March 2016. For the year ended 31 March 2018, the percentage decreased to approximately 0.8%. This was mainly due to the increase in the total contract sum with warranty cover as at the year ended 31 March 2018 as the amount of provision for warranty for the year ended 31 March 2018 remained fairly stable comparing with that for the year ended 31 March 2017. For the five months ended 31 August 2018, the percentage further decreased to approximately 0.1%. As the total contract sum with warranty cover as at 31 August 2018 only recorded a mild increase comparing with that as at 31 March 2018, the substantial drop in the amount of provision for warranty for the five months ended 31 August 2018 was the leading reason resulting such related drop in the percentage for the five months ended 31 August 2018.

(v) Preliminary project costs

Preliminary project costs mainly represent performance bond charges, insurance charges, and other miscellaneous costs, such as quality testing fee, transportation, expenses to produce mock-up of the products to ensure that the finished products will comply with the required specifications, outsourced design fee for some of the other products (such as balustrades, cladding and etc.), cleaning and etc. For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, preliminary project costs amounted to approximately HK$12.4 million, HK$17.4 million, HK$10.6 million and HK$4.9 million, respectively, representing approximately 4.0%, 4.2%, 3.5% and 4.0% of the total cost of sales for the corresponding year/period, respectively. The percentage of preliminary project costs to total cost of sales was fairly stable and thus, the fluctuation was roughly in line with that of the total cost of sales for the corresponding year/period.

(vi) Project staff costs

Project staff costs represent salaries of the project staff in Hong Kong. For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, project staff costs amounted to approximately HK$26.2 million, HK$31.1 million, HK$36.7 million and HK$15.8 million, respectively, representing approximately 8.4%, 7.6%, 12.1% and 12.7% of the total cost of sales for the corresponding year/period, respectively. Project staff costs increased during the Track Record Period mainly due to the increase in the number of the project staff and the salary increment of the project staff in Hong Kong.

(vii) Provision for inventory

Provision for inventory represents provision for the work-in-progress specifically for a project which the overall project was delayed.

Gross profit

It is common in the industry that most of the works will be carried out during the execution-peak stage and thus most of the revenue will then be recognised, resulting most of the gross profit to be achieved accordingly during this period. Normally, the gross profit will be much lower during the pre execution-peak stage as typically, less works are being performed in this stage; also, it is required to pay certain upfront costs, such as insurance expenses, performances bond charges and design fee which have to be recognised as cost of sales at that time, in advance of the payment certificate from its customer based on which the revenue will then be recognised. Furthermore, it is common that gross profit will also be lower in the post execution-peak stage. In this regard, the gross profit margin fluctuation is generally a result of (i) a mix of the different gross profit margin in different execution stages (i.e. the pre execution-peak stage, execution-peak stage and post execution-peak stage) of a project; and (ii) the projects mix (i.e. a mix of different overall gross profit margin for the project portfolio) during the Track Record Period.

For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, (i) gross profit amounted to approximately HK$57.1 million, HK$91.7 million, HK$117.2 million and HK$32.4 million, respectively; and (ii) gross profit margins were 15.5%, 18.3%, 27.8% and 20.6%, respectively.

For the year ended 31 March 2017, gross profit increased by approximately HK$34.5 million or 60.5% to approximately HK$91.7 million for the year ended 31 March 2017 from approximately HK$57.1 million for the year ended 31 March 2016. The gross profit margin of approximately 18.3% for the year ended 31 March 2017 was fairly comparable to that of 15.5% for the year ended 31 March 2016. The mild increase was mainly attributed to (i) the mix of the differences in the execution stages of the projects in the two years; and (ii) a luxury grade residential house project which started to contribute substantial amount of revenue during the year ended 31 March 2017, it involved higher technical complexity and non-standardised designs and allowed the Group to earn a higher gross profit margin.

For the year ended 31 March 2018, gross profit increased by approximately HK$25.5 million or 27.8% to approximately HK$117.2 million for the year ended 31 March 2018 from approximately HK$91.7 million for the year ended 31 March 2017, however, revenue for the year decreased by approximately HK$80.8 million comparing with that for the year ended 31 March 2017. This was due to the substantial increase in gross profit margin to 27.8% for the year ended 31 March 2018 from 18.3% for the year ended 31 March 2017. Other than the mix of the differences in the execution stages of the projects which caused the gross profit margin fluctuations in the two years, another main reason was that certain projects which in aggregate accounted for majority of the total revenue in the year ended 31 March 2018 recorded substantially higher gross profit margins. The Group was able to earn much higher gross profit margins for these projects as they were luxury grade residential house projects which involved higher technical complexity and non-standardised designs.

The luxury grade residential house projects which were the key contributors to the higher gross profit margin for the years ended 31 March 2017 and 2018, as mentioned above, were the projects located in the traditional prime luxury residential areas in Hong Kong. Comparing with other typical normal and standardised grade residential projects, these luxury grade residential house projects comprised of comparatively large number of individual houses/villas. The typical building type for houses/villas is low-rise building structure with low density. The above characteristics of the building type of the luxury grade residential house projects normally do not facilitate standardised design for the curtain wall systems as opposed to the building type of high-rise building complex featured for the Group's other projects. These projects were positioned as luxury grade which the residential units were required to be built with high standards and qualities. Also, these projects involved higher technical complexity which reflected mainly on the specially designed features, and external decorative features mounted on external curtain wall and external wall of buildings. The structures of these higher technical complexity projects involved specially designed curtain walls, specially designed aluminium extrusion, specially designed glass panels, 3-D aluminium panels, design of external architectural aluminium products with many detailed built-in features around the buildings and etc.. All these features required more complicated and precise technical requirements in the design, manufacturing and installation than those building structures involved flat curtain wall, standardised normal and simple building structures. All the above features enabled a higher gross profit margin to be earned by the Group for these luxury grade residential house projects. In this regard, in order to cope with the non-standardised design, high technical complexity and high quality demand, the Group submitted higher quotations for these luxury grade residential house projects in order to cover the expected higher costs and contingencies involved. Due to better cost control, it turned out that the labour costs, material costs, fabrication costs and contingency costs were eventually not as high as originally expected. This amounted to an even higher gross profit margin than originally expected.

The aggregated original contract sum for these luxury grade residential house projects amounted to about HK$300 million. The above luxury grade residential house projects started to contribute substantial amount of revenue for the year ended 31 March 2017 and continued to contribute even more amount of revenue for the year ended 31 March 2018. In particular, for the year ended 31 March 2018, these luxury grade residential house projects were the Group's major projects in the execution-peak stage which contributed majority of the Group's total revenue and gross profit for the year. On the other hand, for the year ended 31 March 2018, the majority of the Group's remaining projects were basically either in the pre execution-peak stage or the post execution-peak stage which contributed a lower gross profit margin. For these luxury grade residential house projects, almost 90% of the aggregated original contract sum had been recognised as revenue for the years ended 31 March 2017 and 2018 which most of the works for the projects had been completed. It was expected that the respective Practical Completion Certificate(s) for the luxury grade residential house projects would be issued in the year ending 31 March 2019. In this regard, the remaining about 10% of the aggregated original contract sum of these luxury grade residential house projects was expected to be recognised as revenue in the year ending 31 March 2019.

For the five months ended 31 August 2018, gross profit decreased by approximately HK$21.4 million or 39.8% to approximately HK$32.4 million for the five months ended 31 August 2018 from approximately HK$53.8 million for the five months ended 31 August 2017. The gross profit margin of approximately 20.6% for the five months ended 31 August 2018 was lower than that of 25.0% for the five months ended 31 August 2017 in which the decrease was mainly attributed to one of the above mentioned luxury projects with higher gross profit margin, contributing substantial portion of total gross profit amount during the five months ended 31 August 2017, had reached post-execution peak stage and thus contributed much less gross profit amount during the five months ended 31 August 2018. As a result, the Group recorded a lower gross profit margin for the five months ended 31 August 2018 as compared to that for the five months ended 31 August 2017.

Other income

Other income remained at low amount during the Track Record Period and mainly represents sales of scrap materials and rental income for the investment properties in Kings Wing Plaza 1, situated in Shatin, Hong Kong. Other income remained fairly stable for each of the two years ended 31 March 2017. For the year ended 31 March 2018 and the five months ended 31 August 2018, as comparing to the other income for the corresponding year/period, the balances of other income increased as they included rental income earned from its investment properties which were newly acquired in August 2017.

Other gains (losses)

The following table sets forth a breakdown of the Group's other gains (losses) during the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Exchange gains (losses)	445	1,866	(5,185)	(2,193)	3,528
Gain (loss) on disposal of property, plant and equipment	–	–	102	(57)	–
	445	1,866	(5,083)	(2,250)	3,528

For the year ended 31 March 2017, other gains increased by approximately HK$1.4 million or 319.3% to approximately HK$1.9 million for the year ended 31 March 2017 from approximately HK$0.4 million for the year ended 31 March 2016. Such increase was mainly attributable to the increase in exchange gain from the general depreciation of Renminbi for purchase of raw materials in the PRC during the year.

For the year ended 31 March 2018, there was a negative fluctuation in an amount of approximately HK$6.9 million. The other gains in an amount of approximately HK$1.9 million for the year ended 31 March 2017 swung to the other losses in an amount of approximately HK$5.1 million for the year ended 31 March 2018. Such negative fluctuation was mainly attributable to the exchange losses due to the general appreciation of Renminbi for purchase of raw materials in the PRC during the year.

For the five months ended 31 August 2018, other gains of approximately HK$3.5 million were due to the general depreciation for Renminbi for purchase of raw materials in the PRC during the period.

Impairment losses, net of reversal

The amounts represent impairment losses, net of reversal, made on trade debtors. Details of the amounts for each of the three years ended 31 March 2018 please refer to the sub-section headed "Analysis of Selected Consolidated Statements of Financial Position Items — Trade debtors" in this section below.

The credit balance of an amount of approximately HK$0.2 million for the five months ended 31 August 2018 mainly represented reversal of impairment losses recognised amounted to approximately HK$0.3 million. Details please refer to the sub-section headed "Analysis of Selected Consolidated Statements of Financial Position Items — Impairment assessment on trade debtors and contract assets" in this section below.

Gain on change in fair value of investment properties

The amounts of approximately HK$1.3 million and HK$1.4 million for the year ended 31 March 2018 and for the five months ended 31 August 2018 represented gain on change in fair value of the investment properties acquired in August 2017.

Administrative expenses

The following table sets forth a breakdown of the Group's administrative expenses during the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Staff costs	13,386	18,256	29,857	12,074	9,928
Office expenses	1,363	1,426	1,343	538	1,062
Operating lease rental expense	883	1,622	1,052	609	39
Legal and professional fee	123	86	105	30	82
Entertainment and travelling expenses	634	519	448	143	223
Auditor's remuneration	299	400	461	192	250
Depreciation	169	112	2,070	46	1,865
Management fee expenses paid to ultimate holding company	2,678	2,569	1,573	654	654
Others	3,526	1,857	3,225	510	962
	23,061	26,847	40,134	14,796	15,065

For the year ended 31 March 2017, administrative expenses increased by approximately HK$3.8 million or 16.4% to approximately HK$26.8 million for the year ended 31 March 2017 from approximately HK$23.1 million for the year ended 31 March 2016. Such increase was mainly attributable to (i) the increase in staff costs of approximately HK$4.9 million due to higher staff bonus provision as a result of better financial performance of the Group; and (ii) the increase in operating lease rental expense of approximately HK$0.7 million as a result of expansion of the Hong Kong rented office premises and increase in unit rental price for the rented office premises before the Group moving its offices to the self-owned property acquired in August 2017.

For the year ended 31 March 2018, administrative expenses increased by approximately HK$13.3 million or 49.5% to approximately HK$40.1 million for the year ended 31 March 2018 from approximately HK$26.8 million for the year ended 31 March 2017. Such increase was mainly attributable to (i) the discretionary share awards and share options under Hanison's share award scheme and Hanison's share option scheme[1] in an aggregated amount of approximately HK$12.5 million allocated to the Group, among which, approximately HK$12.1 million was included in the administrative expenses; and (ii) the increase in depreciation of approximately HK$2.0 million due to the acquisition of property, plant and equipment in August 2017 which mainly comprised the office units of a commercial property at Kings Wing Plaza 1 situated in Shatin, Hong Kong, being used as the Group's office premises.

The administrative expenses remained relatively stable at approximately HK$14.8 million and HK$15.1 million for each of the five months ended 31 August 2017 and 2018, respectively.

Office expenses of the administrative expenses mainly represent printing and stationery, computer expenses, internet fee, postage and courier, telephone expenses and other office expenses such as electricity and water charges.

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1 For the share awards, the fair value of services received from the grantees determined by reference to the fair value of the award shares granted at the grant date is expensed on a straight-line basis over the vesting period. The share awards were granted on 10 March 2017 and were vested on 30 June 2018. For the year ended 31 March 2017, approximately HK$0.9 million of the discretionary share awards under Hanison's share award scheme allocated to the Group was included in the management fee expenses paid to the ultimate holding company rather than the staff costs.

For the share options, they vest immediately at the date of grant, the fair value of the share options granted is recognised immediately in the consolidated statements of profit or loss and other comprehensive income. The share options were granted on 5 September 2017.

For further details of the share awards and share options allocated to the Group, please refer to "Note 38. Share-based Payment Transactions" of the Accountants' Report set out in Appendix I of this listing document.

For details of Hanison's share award scheme and share option scheme, grant of share award scheme and grant of share options, please refer to Hanison's annual report for the year ended 31 March 2018, Hanison's announcements dated 10 March 2017 and 5 September 2017, respectively.

Management fee expenses paid to ultimate holding company represented the administrative and corporate expenses allocated to the Group from Hanison (being the Company's ultimate holding company before the Distribution). The expenses were allocated according to the extent of the time and resources spent by the relevant individuals' services provided to the Group which is an equitable and reasonable basis. The Directors have confirmed that such related party transaction giving rise to the management fee expenses was conducted on arm's length basis and normal commercial terms and the terms were no less favorable to the Group than terms available to or from independent third parties. As such, the related party transaction is in the interest of the Group as a whole. On this basis, the management fee expenses paid to ultimate holding company was considered to be fair and reasonable. Such management fee expenses were paid to ultimate holding company during the Track Record Period for the reason that certain administrative functions of the Group and the Remaining Group were shared between the Group and the Remaining Group. As at the Latest Practicable Date, all essential administrative functions of the Group have been set up and are being carried out independently by the Group without the support of the Remaining Group. In this regard, no similar management fee expenses would be paid to ultimate holding company thereafter.

Others of the administrative expenses mainly represent repair and maintenance, motor vehicles expenses, building management fee, land use tax (土地使用税) and property tax (房產税) for the use of the properties in the PRC's fabrication plant in Huizhou, the PRC and other miscellaneous administrative expenses.

Finance costs

The following table sets forth a breakdown of the Group's finance costs during the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Interests on:					
– bank loans	1,477	7	929	756	–
– other loan	–	293	60	60	–
– bank overdraft interest	–	1	–	–	–
– amount due to a fellow subsidiary	125	–	–	–	–
Imputed interest expense on provisions	208	745	1,657	661	891
	1,810	1,046	2,646	1,477	891

Imputed interest expense on provisions represents the discounting effect on the future cash outflows for the warranty provision during the warranty period of up to maximum of 15 years.

For the year ended 31 March 2017, finance costs decreased by approximately HK$0.8 million or 42.2% to approximately HK$1.0 million for the year ended 31 March 2017 from approximately HK$1.8 million for the year ended 31 March 2016. Such decrease was mainly attributable to the decrease in interests on bank loans as a result of much shorter period of bank loans presence for the year ended 31 March 2017 than that for the year ended 31 March 2016. The Group's two bank loans were fully repaid at end of the year ended 31 March 2016 which one of them was originally drawn down at early of the year ended 31 March 2016 while another one was carried forward from the year ended 31 March 2015 and thus, incurring nearly a full year's interest expense for the two loans for the year ended 31 March 2016. However, a replacement bank loan was only drawn down in March 2017 leaving the interest to be minimal for the year ended 31 March 2017.

For the year ended 31 March 2018, finance costs increased by approximately HK$1.6 million or 153.0% to approximately HK$2.6 million for the year ended 31 March 2018 from approximately HK$1.0 million for the year ended 31 March 2017. Such increase was mainly attributable to (i) the increase in interest on bank loans, this was in turn due to that the abovementioned replacement bank loan drawn down in March 2017 was fully repaid in September 2017 and thus approximately six months of interests was incurred for the year ended 31 March 2018, compared with less than one month of interest incurred for the year ended 31 March 2017 in respect of the bank loan; and (ii) higher imputed interest expense on provisions for warranty provision.

For the five months ended 31 August 2018, finance costs decreased by approximately HK$0.6 million or 39.7% to approximately HK$0.9 million for the five months ended 31 August 2018 from approximately HK$1.5 million for the five months ended 31 August 2017. Such decrease was mainly due to that the finance costs for the five months ended 31 August 2017 included mainly bank loan interests and imputed interest expense on provisions which was an accounting interest without actual cash outflow. Since the Group has fully repaid the bank loans during the year ended 31 March 2018 and therefore no bank loan interests were incurred for the five months ended 31 August 2018.

Profit before taxation

During each of the three years ended 31 March 2018, profit before taxation were increasing from approximately HK$35.1 million for the year ended 31 March 2016 to approximately HK$67.1 million for the year ended 31 March 2017 and slightly decreased to approximately HK$65.0 million for the year ended 31 March 2018. For the five months ended 31 August 2018, profit before taxation substantially decreased to approximately HK$11.4 million from approximately HK$65.0 million for the year ended 31 March 2018, this was not only due to its non-full financial year performance, but also the decrease in the annualised turnover amount, lower gross profit margin percentage and the substantial increase in listing expense during the period.

Taxation

The Group's taxation mainly represents Hong Kong profits tax provided during the Track Record Period which was calculated at a flat rate of 16.5% of the estimated assessable profit. No PRC Enterprise Income tax were provided for the year ended 31 March 2016 as the assessable profit of the Group's PRC operation was wholly absorbed by the tax losses brought forward. PRC Enterprise Income Tax were provided for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018 at the rate of 25% for the relevant years/period, which is under the Law of PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of EIT Law.

The Group's taxation for the year/period can be reconciled to the profit before taxation in the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Five months ended 31 August	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Profit before taxation	35,139	67,050	64,950	36,214	11,368
Tax at the applicable income tax rate of 16.5%	5,798	11,063	10,717	5,975	1,876
Tax effect of expenses not deductible for tax purpose	155	676	2,244	1,089	2,128
Tax effect of income not taxable for tax purpose	(245)	(11)	(285)	–	(231)
Utilisation of tax losses previously not recognised	(2,087)	–	–	–	–
Tax effect of tax losses not recognised	498	1	–	–	–
Tax effect of deductible temporary differences not recognised	–	–	2,881	–	–
Tax effect of deductible temporary differences previously not recognised	–	–	–	–	(1,628)
Effect of different tax rate of a subsidiary operating in other jurisdiction	(169)	(16)	(719)	261	269
Others	(75)	–	–	–	–
Taxation for the year/period	3,875	11,713	14,838	7,325	2,414

For the year ended 31 March 2017, taxation of the Group increased by approximately HK$7.8 million or 202.3% to approximately HK$11.7 million for the year ended 31 March 2017 from approximately HK$3.9 million for the year ended 31 March 2016. Such increase was primarily due to (i) the increase in the amount of approximately HK$5.3 million if taxed at the applicable income tax rate of 16.5% resulting from the Group's increase in the profit before taxation; and (ii) that there was utilisation of tax losses previously not recognised of approximately HK$2.1 million for the year ended 31 March 2016 whereas there was none for the year ended 31 March 2017.

For the year ended 31 March 2018, taxation of the Group increased by approximately HK$3.1 million or 26.7% to approximately HK$14.8 million for the year ended 31 March 2018 from approximately HK$11.7 million for the year ended 31 March 2017. Such increase was primarily due to (i) the increase in the tax effect of expenses not deductible for tax purpose of approximately HK$1.6 million for the year which mainly comprised listing expenses; and (ii) there was tax effect of deductible temporary differences not recognised for the year ended 31 March 2018 but none for the year ended 31 March 2017.

For the five months ended 31 August 2018, taxation of the Group decreased by approximately HK$4.9 million or 67.0% to approximately HK$2.4 million for the five months ended 31 August 2018 from approximately HK$7.3 million for the five months ended 31 August 2017. Such decrease was mainly due to the decrease in the amount of approximately HK$4.1 million if taxed at the applicable income tax rate of 16.5% resulting from the Group's decrease in the profit before taxation.

The following table sets forth the Group's effective tax rate during the Track Record Period:

	For the year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Profit before taxation	35,139	67,050	64,950	36,214	11,368
Taxation charge	3,875	11,713	14,838	7,325	2,414
Effective tax rate *note*	11.0%	17.5%	22.8%	20.2%	21.2%

Note: Effective tax rate is calculated by dividing taxation charge for the year/period with profit before taxation for the respective year/period.

For the year ended 31 March 2017, the effective tax rate of the Group was higher than that for the year ended 31 March 2016 as there was no utilisation of tax losses for the year ended 31 March 2017 whereas there was approximately HK$2.1 million for the year ended 31 March 2016.

For the year ended 31 March 2018, the effective tax rate of the Group was higher than that for the year ended 31 March 2017 as (i) the tax effect of expenses not deductible for tax purpose increased by approximately HK$1.6 million which was in turn mainly resulting from listing expenses; and (ii) there was tax effect of deductible temporary differences not recognised for the year ended 31 March 2018 but none for the year ended 31 March 2017.

For the five months ended 31 August 2018, the effective tax rate of the Group of approximately 21.2% was slightly higher than that for the five months ended 31 August 2017 of approximately 20.2%. Such increase was mainly attributable to the tax effect of the non-deductible listing expenses incurred during the five months ended 31 August 2018.

Other comprehensive (expense) income – exchange differences arising on translation of a foreign operation

The amounts represent the exchange differences arising on translation of the net assets relating to the PRC operation denominated in Renminbi.

For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2018, Renminbi depreciated and accordingly, resulted in the exchange losses in the reserve for the year/period.

For the year ended 31 March 2018, Renminbi appreciated and accordingly, resulted in the exchange gain in the reserve for the year.

Profit for the year/period and total comprehensive income for the year/period

For the year ended 31 March 2017, the Group's profit for the year increased by approximately HK$24.1 million or 77.0% to approximately HK$55.3 million for the year ended 31 March 2017 from approximately HK$31.3 million for the year ended 31 March 2016. This was mainly a combined effect of (i) the increase in revenue and the related gross profit amount with improved gross profit margin; and offset by (ii) the increase in administrative expenses mainly due to the increase in staff costs arising from higher staff bonus provision as a result of better financial performance of the Group; and (iii) the increase in taxation with higher effective tax rate as there was no utilisation of tax losses for the year.

For the year ended 31 March 2017, the Group's total comprehensive income increased by approximately HK$22.6 million or 76.3% to approximately HK$52.1 million for the year ended 31 March 2017 from approximately HK$29.6 million for the year ended 31 March 2016. The trend replicated closely with that of the profit for the year as the exchange losses arising on translation of a foreign operation maintained at a comparatively low amount at approximately HK$1.7 million and approximately HK$3.2 million for the years 31 March 2016 and 2017, respectively.

For the year ended 31 March 2018, the Group's profit for the year decreased by approximately HK$5.2 million or 9.4% to approximately HK$50.1 million for the year ended 31 March 2018 from approximately HK$55.3 million for the year ended 31 March 2017. This was mainly due to a combined effect of (i) the substantial increase in administrative expense primarily as a result of the increase in staff costs due to the allocation of Hanison's share awards and share options to the Group; (ii) listing expenses incurred only for the year ended 31 March 2018; and offset by (iii) the increase in the gross profit amount mainly as a result of the substantial gross profit margin improvement in the year.

For the year ended 31 March 2018, the Group's total comprehensive income on the other hand increased by approximately HK$4.5 million or 8.7% to approximately HK$56.7 million for the year ended 31 March 2018 from approximately HK$52.1 million for the year ended 31 March 2017. This was mainly due to the material positive fluctuation for exchange differences arising on translation of a foreign operation for the year ended 31 March 2018 due to the appreciation of Renminbi for the year.

For the five months ended 31 August 2018, the Group's profit for the period decreased by approximately HK$19.9 million or 69.0% to approximately HK$9.0 million for the five months ended 31 August 2018 from approximately HK$28.9 million for the five months ended 31 August 2017. This was mainly due to (i) the decrease in the revenue and the related gross profit amount; (ii) increase in listing expense of approximately HK$**[REDACTED]**; and offset by (iii) the increase in other gains of approximately HK$5.8 million resulted from general depreciation for Renminbi for purchase of raw materials in the PRC during the period; and (iv) the decrease in taxation of approximately HK$4.9 million mainly as a result of lower taxable profit generated for the period.

For the five months ended 31 August 2018, the Group's total comprehensive income decreased by approximately HK$28.4 million or 88.8% to approximately HK$3.6 million for the five months ended 31 August 2018 from approximately HK$32.0 million for the five months ended 31 August 2017. This was mainly due to (i) the decrease in profit for the period mentioned in the previous paragraph; and (ii) that there was an exchange loss arising on translation of a foreign operation for the five months ended 31 August 2018 whereas there was an exchange gain arising on translation of a foreign operation for the five months ended 31 August 2017.

Net profit margin for the year/period

During each of the three years ended 31 March 2018, net profit margin kept steadily increasing from approximately 8.5%, 11.0% and 11.9%, respectively. However, the net profit margin for the five months ended 31 August 2018 decreased to approximately 5.7%. Such decrease was primarily due to (i) the decrease in gross profit margin to approximately 20.6% for the five months ended 31 August 2018 from approximately 27.8% for the year ended 31 March 2018; and (ii) the substantial increase in the listing expenses for the five months ended 31 August 2018 comparing to that for the year ended 31 March 2018.

SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below presents the summary of consolidated statements of financial position of the Group as at each of the three years ended 31 March 2018 and 31 August 2018 extracted from the Accountants' Report as set out in Appendix I to this listing document.

Consolidated statements of financial position

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Investment properties	–	–	60,300	61,700
Property, plant and equipment	23,568	21,258	112,710	111,060
Prepaid lease payments	6,032	5,472	5,851	5,287
Deferred tax assets	56	58	6	155
	29,656	26,788	178,867	178,202
CURRENT ASSETS				
Inventories	28,723	33,006	26,593	38,295
Prepaid lease payments	213	201	207	200
Debtors, deposits and prepayments	12,399	12,957	69,872	53,682
Contract assets	45,789	56,296	66,933	61,948
Amount due from fellow subsidiaries	2,865	6,444	–	731
Amount due from immediate holding company	–	228,038	–	–
Bank balances and cash	47,814	47,055	40,646	74,963
	137,803	383,997	204,251	229,819
CURRENT LIABILITIES				
Trade and other payables	49,871	41,228	59,245	70,040
Provisions	17,106	39,039	29,895	35,433
Contract liabilities	126	3,530	3,313	1,648
Amount due to ultimate holding company	–	2,969	–	–
Amount due to immediate holding company	33,477	–	77,452	84,016
Amounts due to fellow subsidiaries	15,465	37,143	–	–
Bank and other loans	–	127,028	–	–
Taxation payable	3,031	8,336	8,238	9,993
	119,076	259,273	178,143	201,130
Net current assets	18,727	124,724	26,108	28,689
Total assets less current liabilities	48,383	151,512	204,975	206,891
NON-CURRENT LIABILITIES				
Provisions	25,064	76,088	76,246	75,096
Deferred tax liabilities	–	–	37	471
	25,064	76,088	76,283	75,567
	23,319	75,424	128,692	131,324
CAPITAL AND RESERVES				
Share capital	11,000	11,000	–	–
Reserves	12,319	64,424	128,692	131,324
	23,319	75,424	128,692	131,324

ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

On 14 August 2017, the Group acquired the office units of a commercial property in Kings Wing Plaza 1, situated in Shatin, Hong Kong. Part of the office was leased out for rental income purposes. The investment properties were valued at the fair value as approximately HK$60.3 million and HK$61.7 million as at 31 March 2018 and 31 August 2018, respectively, by an independent property valuer. The value was arrived at by reference to the income capitalisation method which is based on the capitalisation of the net income potential by adopting an appropriate capitalisation rate, which is derived from analysis of sale transactions and interpretation of prevailing investor requirements or expectations. For further details of the fair value measurements, please refer to "Note 17. Investment Properties" of the Accountants' Report set out in Appendix I of this listing document.

Property, plant and equipment

Property, plant and equipment mainly consist of buildings, plant and machinery in the Group's fabrication plant in the PRC and other miscellaneous fixed assets. As at each of the three years ended 31 March 2018 and 31 August 2018, the carrying value of property, plant and equipment were approximately HK$23.6 million, HK$21.3 million, HK$112.7 million and HK$111.1 million, respectively.

As at 31 March 2017, property, plant and equipment slightly decreased by approximately HK$2.3 million to approximately HK$21.3 million as at 31 March 2017 from approximately HK$23.6 million as at 31 March 2016. This was mainly due to (i) the depreciation expenses and the negative exchange adjustments arising from the translation of the year end balance of the property, plant and equipment in its PRC operation recorded in Renminbi as its functional currency to HK dollar as its presentation currency of the Group; and offset by (ii) the additions of plant and machinery during the year ended 31 March 2017.

As at 31 March 2018, property, plant and equipment substantially increased by approximately HK$91.5 million to approximately HK$112.7 million as at 31 March 2018 from approximately HK$21.3 million as at 31 March 2017. This was mainly due to the acquisition of a commercial property at an amount of approximately HK$89.1 million for certain units in Kings Wing Plaza 1, situated in Shatin, Hong Kong, on 14 August 2017. For details of the acquisition, please refer to "Note 34. Acquisition of a Subsidiary" of the Accountants' Report set out in Appendix I to this listing document.

As at 31 August 2018, property, plant and equipment slightly decreased by approximately HK$1.7 million or 1.5% to approximately HK$111.1 million as at 31 August 2018 from approximately HK$112.7 million as at 31 March 2018. This was mainly due to the depreciation expenses and the negative exchange adjustments arising from the translation of the period end balance of the property, plant and equipment in its PRC operation recorded in Renminbi as its functional currency to HK dollar as its presentation currency of the Group during the five months ended 31 August 2018.

Prepaid lease payments

Prepaid lease payments (both in the non-current assets and current assets) represent the up-front payments to lease the medium-term leasehold land interests in the PRC and are charged to the consolidated statements of profit or loss and other comprehensive income on a straight-line basis over the term of the relevant lease. The balances remained fairly stable as at the end of the Track Record Period.

Inventories

Inventories primarily consist of (i) raw materials of building materials used in the Design, Supply and Installation Projects, such as aluminium, steel products and glass; and (ii) work-in-progress of semi-processed products both located in the Group's fabrication plant and the outsourced factories. The following table sets out a breakdown of the inventories as at the end of the Track Record Period:

	As at 31 March			**As at 31 August**
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	15,479	22,723	14,850	16,026
Work-in-progress	13,244	10,283	11,743	22,269
	28,723	33,006	26,593	38,295
Percentage of inventories to revenue*note*	7.8%	6.6%	6.3%	10.2%

Note: Percentage of inventory to revenue is calculated by dividing the inventory balance as at the year/period end with the revenue of the respective year or the annualised revenue for the five months ended 31 August 2018.

It is common in the industry to incur comparatively substantial cash outflows in the early stage of a project, among others, to purchase raw materials just in time for their further processing and the subsequent utilisation and installation in the later stage which the revenue will be substantially recognised. The Group's inventories are purchased specifically on project-by-project basis. Once the fabrication process is completed, the finished products will be delivered to the construction sites for installation. In this regard, the Group's inventory turnover days are relatively short.

Percentage of inventories to revenue ratio were fairly stable as at each of the three years ended 31 March 2018 with a slightly higher percentage for the year ended 31 March 2016. The higher percentage for the year ended 31 March 2016 was a result of a higher inventories level being processed for their subsequent utilisation and installation in the year ended 31 March 2017 which the revenue recognised was the highest during each of the three years ended 31 March 2018.

Percentage of inventories to revenue ratio increased to approximately 10.2% for the five months ended 31 August 2018 as the inventory balance stood at a relatively high level at approximately HK$38.3 million as at 31 August 2018. The higher inventory balance was mainly for (i) two projects at Lohas Park – Package 6 and Pak Shek Kok, respectively, which were roughly in their execution-peak stage and stocking up of inventory level is necessary for utilisation; and (ii) the project at Lok Wo Sha which had been commenced and expected to have higher level of inventories being utilised and installed subsequent to the Track Record Period.

The following table sets forth the Group's inventory turnover days during the Track Record Period:

	Year ended 31 March			**Five months ended 31 August**
	2016	**2017**	**2018**	**2018**
	Day	*Day*	*Day*	*Day*
Inventory turnover days	29.8	27.5	35.8	39.6

Note: Inventory turnover days is calculated based on the average of the beginning and ending balance of inventories divided by cost of sales for the year/period and multiplied by the number of days of the year (i.e. 365 days for a full year). Cost of sales for the five months ended 31 August 2018 is annualised for this purpose.

The inventory turnover days remained relatively stable at approximately 29.8 days, 27.5 days and 35.8 days for the years ended 31 March 2016, 2017 and 2018, respectively, and generally within the reasonable range of the processing time in the Group's fabrication plant and the outsourced factories.

The inventory turnover days was approximately 39.6 days for the five months ended 31 August 2018 which was slightly higher than that for the year ended 31 March 2018. As previously explained, around the period end, there was stocking up of the period end inventory balance which resulted the higher inventory turnover days for the five months ended 31 August 2018.

As at the Latest Practicable Date, all of the Group's inventories as at 31 August 2018 were subsequently utilised.

Debtors, deposits and prepayments

The following table sets forth a breakdown of the Group's debtors, deposits and prepayments as at the end of the Track Record Period:

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade debtors	4,989	5,359	62,026	44,687
Value-added tax ("**VAT**") receivables	3,058	4,249	3,080	5,189
Deposits and prepayments	3,945	2,719	3,020	2,987
Prepaid listing expenses	–	–	**[REDACTED]**	**[REDACTED]**
Other receivables	407	630	795	614
	12,399	12,957	69,872	53,682

The Group allows a credit period of 30 to 90 days to its customers. Before accepting any new customer, the Group will internally assess the credit quality of the potential customers and define appropriate credit limit. Other receivables are unsecured, interest-free and repayable on demand.

Trade debtors

Trade debtors represent the amounts billed for work performed but not yet paid by the customers. The balances amounted to approximately HK$5.0 million, HK$5.4 million, HK$62.0 million and HK$44.7 million as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively.

The Group's balances of trade debtors as at each of the year/period end, to a substantial extent, depend on the progress of individual project around the financial year/period end which in turn affect the timing of payment certificates issued by the architects and thus, further affect the balances of trade debtors accordingly. Furthermore, project profile such as the individual projects, number of projects and the value of the projects that the Group were carrying out around the financial year/period end will materially affect the balances of trade debtors accordingly. If the above vary substantially from year to year or period to period, it will also lead to significant variances of the yearly or period end balances of trade debtors.

The balances of trade debtors as at 31 March 2016 and 2017 remained relatively stable at a low level. This was due to that based on the project progress and project profile, there was no material projects having high level of works that the Group were carrying out around the respective year end. In other words, the projects contributed most of the revenue for the years ended 31 March 2016 and 2017 were (i) in the early or late stage of on-site installation works near the year end which normally has a comparatively much lower amount of works to be performed by the Group; or (ii) that their respective Practical Completion Certificates had been issued in the middle of the financial year which signifying the completion of the installation works and end of the execution phase well ahead of the year end. Due to the lower amount of works or even no significant works to be performed by the Group near the year end, the amount of payment certificates issued by the customers was low or even nil for the relevant projects and accordingly, resulting the low balance of trade debtors as at both the years ended 31 March 2016 and 2017. For example, the aforementioned projects contributing most of the revenue but comparatively having lower level of works near the year end included, (i) for the year ended 31 March 2016, the projects at Tong Chun Street, Castle Road, Conduit Road, Tong Yin Street, Chi Shin Street, So Kwun Wat, Kau To Shan, Mount Nicholson Road and Grampian Road which contributed approximately HK$284.9 million of revenue to the Group and accounted for approximately 77.5% of the Group's total revenue for the year ended 31 March 2016; and (ii) for the year ended 31 March 2017, the projects at Castle Road, Conduit Road, Tong Yin Street, Chi Shin Street, So Kwun Wat, Lai Ping Road and Kau To Shan which contributed approximately HK$442.3 million of revenue to the Group and accounted for approximately 88.1% of the Group's total revenue for the year ended 31 March 2017.

As at 31 March 2018, trade debtors increased substantially by approximately HK$56.7 million to approximately HK$62.0 million as at 31 March 2018 from approximately HK$5.4 million as at 31 March 2017. The increase was mainly due to the substantial amount of the payment certificates issued in the last two months of the year ended 31 March 2018 whereas the amount of payment certificates issued in the last two months of the years ended 31 March 2016 and 2017 were not material. As at 31 March 2018, approximately HK$55.9 million (or 90.2%) of the outstanding trade balances aged within 60 days whereas that as at 31 March 2016 and 2017 were only approximately HK$4.3 million and HK$3.3 million, respectively. That means substantial amount of the payment certificates were issued to the Group in the last two months of the year ended 31 March 2018 which was in turn due to the progress of the projects. Among this, approximately HK$44.5 million of the trade debtors with their payment certificates issued from 31 January to 31 March 2018 were arising from the projects at Lung Cheung Road, Lohas Park – Package 6 and Pak Shek Kok which accounted for approximately 71.8% of the total trade debtors as at 31 March 2018. These three projects contributed approximately HK$142.1 million of revenue to the Group, which accounted for approximately 33.7% of the Group's total revenue for the year ended 31 March 2018. In particular, for the above mentioned three projects, they were in the execution-peak stage and specifically, also in the middle stage of carrying out the on-site installation works around the year ended 31 March 2018. In other words, significant amount of revenue were clustered being recognised around the year end which built up the higher balance of trade debtors as at 31 March 2018.

As at 31 August 2018, trade debtors decreased by approximately HK$17.3 million to approximately HK$44.7 million as at 31 August 2018 from approximately HK$62.0 million as at 31 March 2018. The decrease was mainly a combined effect of (i) the decrease in balance for the project at Lung Cheung Road of approximately HK$22.8 million as the Group only recognised approximately 26% of the project's original contract sum as revenue for the five months ended 31 August 2018 while for the year ended 31 March 2018, nearly 65% of its original contract sum was recognised as revenue; (ii) the decrease in balance for the project at An Tuo Hill of approximately HK$4.8 million as there was no revenue contribution from the project during the five months ended 31 August 2018 while there was revenue recognised for the year ended 31 March 2018; and offset by (iii) the increase in balances with an aggregate amount of HK$6.1 million for the projects at Lohas Park – Package 6, Lohas Park – Package 7 and Pak Shek Kok as these three projects, which their revenue in aggregate accounted for approximately 56.3% of the total revenue for the five months ended 31 August 2018, were in the execution-peak stage around the period end.

From the above, it can be seen that (i) the major projects contributed to the revenue for the year ended 31 March 2018 were different from that of the previous two years; and (ii) the major projects contributed to the revenue for the five months ended 31 August 2018 were different from that for the years ended 31 March 2016 and 2017 and not identical with that for the year ended 31 March 2018. The status of progress for each of the major projects around the respective year/period end was also different. These distinctiveness and uniqueness of the projects profile and project progress around the respective year/period end thus significantly affect the level of balances for the trade debtors as at the end of the Track Record Period.

The Group allows a credit period of 30 to 90 days to customers.

The following table sets forth an ageing analysis of the trade debtors, based on invoice date, as at the end of the Track Record Period:

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	2,841	3,276	31,170	31,561
31 – 60 days	1,472	–	24,768	3,810
61 – 90 days	8	–	–	5,690
Over 90 days	668	2,083	6,088	3,626
	4,989	5,359	62,026	44,687

Before the application of HKFRS 9 on 1 April 2018, management closely monitors the credit quality of trade debtors and considers the trade debtors that are neither past due nor impaired to be of a good credit quality based on their historical repayments. Included in the Group's trade debtors balance are trade debtors with aggregate carrying amount of approximately HK$1.4 million, HK$2.1 million and HK$6.1 million which are past due as at 31 March 2016, 31 March 2017 and 31 March 2018, respectively, for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. There are no balances included in other receivables which have been past due.

The following table sets forth the ageing analysis of trade debtors which are past due but not impaired as at the dates indicated:

	As at 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Past due but not impaired:			
31 – 60 days	694	–	–
61 – 90 days	8	–	–
Over 90 days	668	2,083	6,088
	1,370	2,083	6,088

The following table sets forth the movement in the impairment losses recognised on trade debtors:

	Year ended 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Balance at the beginning of the year	927	–	–
Impairment losses recognised	–	–	3,548
Reversal of impairment losses recognised	(927)	–	–
Balance at the end of the year	–	–	3,548

Upon the application of HKFRS 9, loss allowance for trade debtors has been measured at an amount equal to lifetime expected credit losses.

For purpose of impairment assessment, the other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses.

In determining the expected credit losses, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

Details of the impairment assessment of trade debtors are set out in the paragraph headed "Impairment assessment on trade debtors and contract assets" of this sub-section below.

For the year ended 31 March 2016, the customer fully settled the long outstanding balance during the year and thus, the Group made reversal of the impairment loss accordingly.

For the year ended 31 March 2018, the Group made an impairment loss on a trade debtor of approximately HK$3.5 million, which was due to the unsettled long outstanding balance. Although the Group chased the payment a number of times, such trade debtor did not settle the amount. The Group then considered that the carrying amount of the trade debtor would not be recovered in the future. Accordingly, provision of impairment loss was made. Except for the balance which the impairment had been made, all the remaining outstanding balance with this trade debtor as at 31 March 2018 had been subsequently settled in June 2018.

The movement of the impairment losses in respect of trade debtors for the five months ended 31 August 2018 is set out in the paragraph headed "Impairment assessment on trade debtors and contract assets" of this sub-section below.

The following table sets forth the Group's trade debtors turnover days during the Track Record Period:

	For the year ended 31 March			**Five months ended 31 August**
	2016	**2017**	**2018**	**2018**
	No. of days	*No. of days*	*No. of days*	*No. of days*
Trade debtors turnover days	7.5	3.8	29.2	51.7

Note: Trade debtors turnover days is calculated based on the average of the beginning and ending balance of trade debtors divided by revenue for the year/period and multiplied by the number of days of the year (i.e. 365 days for a full year). Revenue for the five months ended 31 August 2018 is annualised for this purpose.

For each of the three years ended 31 March 2018, the Group's trade debtors turnover days were approximately 7.5 days, 3.8 days and 29.2 days, respectively, and were below the low end of the Group's credit period range of 30 to 90 days as the Group's customers normally early settle the amount due. For the trade debtors' turnover days for the year ended 31 March 2018, although it was still below the 30 days credit period, it increased substantially to 29.2 days due to the substantial increase in trade debtors balance as at 31 March 2018.

For the five months ended 31 August 2018, the Group's trade debtors turnover days were approximately 51.7 days which were within the Group's credit period range of 30 to 90 days. Comparing with that for the year ended 31 March 2018, it was substantially increased. This was mainly due to that a longer credit term was mutually agreed between the Group and a customer for a project which it contributed nearly 30% of the revenue to the Group for the five months ended 31 August 2018 and the balance due from that customer accounted for nearly 40% of the Group's total trade debtors as at 31 August 2018. The credit terms for this customer was 54 days from certification by the quantity surveyor which was longer than the typical credit terms for other customers of 44 days.

As at the Latest Practicable Date, approximately HK$43.9 million or 98.3% of the Group's trade debtors as at 31 August 2018 was settled.

Value-added tax receivables

VAT receivables as at each of three years ended 31 March 2018 and 31 August 2018 can be used to offset for further VAT payable for the fabrication plant in the PRC.

As at 31 March 2016, 2017 and 2018 and 31 August 2018, the Group recorded VAT receivables of approximately HK$3.1 million, HK$4.2 million, HK$3.1 million and HK$5.2 million, respectively, which the balances were generally maintained at a comparatively stable low level, among which the balances as at 31 March 2017 and 31 August 2018 increased slightly. Such increases were mainly due to the increase in purchase of raw materials by the Group's fabrication plant in the PRC. This generally aligned with the higher inventories balances as at 31 March 2017 and 31 August 2018.

Deposits and prepayments

The balances mainly represent rental deposits, purchase deposits, prepaid medical insurance and other miscellaneous deposits and prepayments. The balance remained fairly stable and low at approximately HK$3.9 million, HK$2.7 million, HK$3.0 million and HK$3.0 million, respectively as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively.

Prepaid listing expenses

Prepaid listing expenses as at the year ended 31 March 2018 and 31 August 2018 represented prepaid profession fees for the Spin-off.

Contract assets and contract liabilities

	As at 1 April	As at 31 March			As at 31 August
	2015	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets					
Provision of design, supply and installation of aluminium windows and curtain walls services	33,168	45,789	56,296	66,933	61,948

	As at 1 April	As at 31 March			As at 31 August
	2015	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Contract liabilities					
Provision of design, supply and installation of aluminium windows and curtain walls services	(916)	(126)	(3,530)	(3,313)	(1,648)

The balances of contract assets and contract liabilities mainly comprised retention money. As at 31 March 2016, 2017 and 2018 and 31 August 2018, the retention money was approximately HK$36.0 million, HK$48.3 million, HK$53.7 million and HK$41.6 million, respectively.

The Group has enforceable rights to considerations from customers for the provision of design, supply and installation of aluminium windows and curtain walls services. Contract assets arise when the Group has right to consideration for completion of design, supply and installation of aluminium windows and curtain walls and not yet billed under the relevant contracts, and their right is conditioned on factors other than passage of time. It is assessed for impairment in accordance with HKFRS 9. Any amount previously recognised as a contract asset is reclassified to trade debtors when such right becomes unconditional other than the passage of time.

Upon the application of HKFRS 9, loss allowance for contract assets has been measured at an amount equal to lifetime expected credit losses. Details of the impairment assessment of contract assets are set out in the paragraph headed "Impairment assessment on trade debtors and contract assets" of this sub-section below.

Contract assets included retention money and works performed but not yet certified and billed. For the retention money, the balance as at 31 March 2018 mainly comprised (i) retention money from the same projects existed as at 31 March 2017 which most of the balances were carried forward from the year ended 31 March 2017; and (ii) new retention money for the year which mostly from the projects at Lung Cheung Road and Lohas Park – Package 6. For the works performed but not yet certified and billed, the balance as at 31 March 2017 was mainly for the project at Lai Ping Road whereas the balance as at 31 March 2018 was mainly for the projects at Lohas Park – Package 6 and Pak Shek Kok.

As at 31 March 2018, contract assets increased by approximately HK$10.6 million to approximately HK$66.9 million from approximately HK$56.3 million as at 31 March 2017. This was attributed to (i) the increase in retention money of approximately HK$5.4 million; and (ii) the increase in works performed but not yet certified and billed of approximately HK$5.2 million. For the former, it was mainly due to (i) the new retention money for the year from the projects at Lung Chueng Road and Lohas Park – Package 6 which started to contribute revenue to the Group for the year ended 31 March 2018; and (ii) additional retention money for the project at Lai Ping Road. For the latter, there were more works performed but not yet certified and billed for the projects at Lohas Park -Package 6 and Pak Shek Kok as at 31 March 2018 than for the project at Lai Ping Road as at 31 March 2017 due to different working stages for the above projects as at the respective year end.

As at 31 August 2018, contract assets decreased by approximately HK$5.0 million to approximately HK$61.9 million from approximately HK$66.9 million as at 31 March 2018. This was attributed to (i) the decrease in retention money of approximately HK$12.1 million; and offset by (ii) the increase in works performed but not yet certified and billed of approximately HK$7.1 million. For the former, it was mainly due to (i) that the amounts of retention money from certain projects (such as the projects at Conduit Road, So Kwun Wat, Chi Shin Street and Lai Ping Road) were released by the corresponding customers as a result of the expiry of the respective retention period. For the latter, there were more works performed but not yet certified and billed for certain projects (such as the projects at Pak Shek Kok, Lohas Park – Package 6, Jervois Street (detailed location: Nos 53, 55, 57 and 59, Jervois Street, Hong Kong) and Area 115, Tin Shui Wai) as at 31 August 2018 than that for the projects at Lohas Park – Package 6 and Pak Shek Kok as at 31 March 2018 due to different working stages for the above projects as at the respective year/period end.

For the contract assets amounted to approximately HK$61.9 million as at 31 August 2018, approximately HK$29.1 million or 47.0% were subsequently billed/settled as at the Latest Practicable Date. The following table sets forth a breakdown by project for the contract assets as at 31 August 2018 and the subsequent billed/settled of it:

	Retention money	Works performed but not yet certified and billed	Total
	HK$'million	*HK$'million*	*HK$'million*
As at 31 August 2018			
Project locations[Note]:			
Lai Ping Road	5.0	0.9	5.9
Chi Shin Street	3.5	–	3.5
So Kwun Wat	2.6	–	2.6
Lung Cheung Road	5.0	0.7	5.7
Lohas Park – Package 6	7.3	8.0	15.3
Mount Nicholson Road	4.5	–	4.5
Tong Chun Street	3.9	–	3.9
Tong Yin Street	3.4	–	3.4
Pak Shek Kok	–	4.4	4.4
Others	6.8	6.5	13.3
Total contract assets (Gross amount)	42.0	20.5	62.5
Impairment loss	(0.5)	(0.1)	(0.6)
Total contract assets as at 31 August 2018 (net amount)	41.5	20.4	61.9
Subsequently billed and settled	–	(20.4)	(20.4)
Subsequently settled	(8.7)	–	(8.7)
As at the Latest Practicable Date	32.8	–	32.8
Approximate % of net contract assets which have been subsequently billed/settled	(21.0%)	(100.0%)	(47.0%)

Note: For the purpose of this table, contracts with same project location and customer were categorised under the same project. For detailed locations of the projects, please refer to the sub-section headed "Principal Components of Results of Operation – Revenue" in this section.

All the balance of works performed but not yet certified and billed as at 31 August 2018 were subsequently billed as at the Latest Practicable Date. However, majority of the balance of retention money as at 31 August 2018 remained unsettled as at the Latest Practicable Date as the defects liability period of the respective projects had yet to expire.

The amount of receipt in advance from a customer is netted off against retention money on a particular contract basis and presented as contract liabilities. For the contract liabilities as at 1 April 2015, 31 March 2016, 2017 and 2018, approximately HK$0.9 million, HK$0.1 million, HK$nil and HK$3.3 million, respectively were recognised as revenue in the consolidated statements of profit or loss and other comprehensive income during the year ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018, respectively.

Retention money

The retention money is unsecured and interest-free and represents the monies withheld by customers of contract works fully recoverable within one to two years from the date of completion of respective design, supply and installation of aluminium windows and certain walls services projects in accordance with the terms specified in the relevant contracts.

Some of the Group's customers will usually withhold 10% of each interim payment as retention money until the accumulated retention money reaches 5% of the total contract sum. Upon satisfactory completion of the installation works of whole project as set out in the contract, the architect for the building project will issue a Practical Completion Certificate. Generally, upon the issuance of the Practical Completion Certificate, half of the retention money of such project will be released to the Group, while the remaining half will be released to the Group upon the issuance of the certificate that the identified defects in respect of the entire building project have been made good.

During the Track Record Period, the Group is responsible, at its own costs, for remedial works that may arise from defective works or materials used. The retention money does not have any significant financing component for financing benefit.

The retention money is to be settled at the end of the Track Record Period as follows:

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
On demand or within one year	32,023	37,999	27,658	18,816
After one year	3,988	10,331	26,061	22,807
	36,011	48,330	53,719	41,623
Percentage of retention money to revenue[note]	9.8%	9.6%	12.8%	11.0%

Note: Percentage of retention money to revenue is calculated by dividing the retention money as at the year/period end with the revenue of the respective year/period. Revenue for the five months ended 31 August 2018 is annualised for this purpose.

The withholding of retention money by the Group's customers based on their interim payments which in turn depends on the Group's amount of works done and revenue recognised implies that there is close relationship between retention money and revenue.

As at 31 March 2016 and 2017, percentage of retention money to revenue remained comparable at 9.8% and 9.6%, respectively, and approaching the 10% of the normal withholding percentage.

As at 31 March 2018, the percentage of retention money to revenue increased to 12.8%. Such increase was mainly due to that there were more projects with substantially higher amount of the retention money and with their respective amount of the retention money reached or almost reached their related cap amount for the year ended 31 March 2017 being carried forward to the year ended 31 March 2018, while these projects contributed comparatively much lower revenue in the year ended 31 March 2018 (such as the projects at Tong Yin Street, Chi Shin Street and So Kwun Wat).

As at 31 August 2018, the percentage of retention money to revenue was approximately 11.0% which was comparable to that of approximately 12.8% as at 31 March 2018.

Contract liabilities

If the progress payment from the customers exceeds the revenue recognised to date under the output method, then the Group recognises a contract liability for the difference.

The balance increased from approximately HK$0.1 million as at 31 March 2016 to approximately HK$3.5 million as at 31 March 2017 and remained fairly stable at approximately HK$3.3 million as at 31 March 2018. The high balances as at 31 March 2017 and 2018 were mainly due to the receipt in advance from a customer who paid 30% of the project's contract sum as a deposit to the Group. Since the Group only supplied aluminium products but not installation services on this project, and that the aluminium products were still under fabrication, no revenue was recognised for this project for the years ended 31 March 2017 and 2018 and therefore, the balance remained in the contract liabilities as at the year ended 31 March 2017 and 2018.

As at 31 August 2018, the balance decreased to approximately HK$1.6 million. This was mainly due to that the Group started delivering the aluminium products to the aforementioned customer during the five months ended 31 August 2018. Accordingly, part of the deposit was then recognised as revenue during the period resulting the decrease in the balance as at 31 August 2018 comparing to that as at 31 March 2018.

Impairment assessment on trade debtors and contract assets

In order to minimise credit risk, the Group makes periodic collective assessment on the recoverability of trade debtors and contract assets and develops and maintains the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's internal credit risk grading assessment comprises the following categories:

Category	Description	Basis for recognising expected credit losses ("ECL")
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	Lifetime ECL – not credit-impaired
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired

In determining the expected credit losses for trade debtors and contract assets, the management of the Group has taken into account the historical default experience and the future prospect of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, as well as any cash flows that are expected from the realisation of the collateral, in estimating the probability of default of each of the trade debtors and contract assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

The following table provides information about the exposure to credit risk and the expected credit losses for trade debtors and contract assets which are assessed collectively based on internal credit grading as at 31 August 2018.

Internal credit rating	Average loss rate	Gross carrying amount	Impairment losses
		HK$'000	*HK$'000*
Performing	0.9%	103,915	900
Doubtful	1.1%	3,660	40
In default	100.0%	3,262	3,262
		110,837	4,202

The expected credit losses on trade debtors and contract assets are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 90 days past due because historical experience has indicated that these receivables are generally not recoverable.

A trade debtor and contract asset is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade debtors are over three years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

There has been no change in the estimation techniques or significant assumptions made during the five months ended 31 August 2018 in assessing the loss allowance for the trade debtors and contract assets.

The movement of the impairment losses in respect of trade debtors and contract assets during the five months ended 31 August 2018 is as follows:

	Lifetime ECL-not credit-impaired	**Lifetime ECL-credit-impaired**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2018 *(note)*	1,152	3,548	4,700
Exchange adjustments	–	(286)	(286)
Impairment losses recognised	67	–	67
Reversal of impairment losses recognised	(279)	–	(279)
At 31 August 2018	940	3,262	4,202

Note: The Group has initially applied HKFRS 9 at 1 April 2018 and comparative information is not restated.

There is no transfer between the above categories during the five months ended 31 August 2018.

Trade and other payables

The following table sets forth a breakdown of the Group's trade and other payables as at the end of the Track Record Period:

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payable	7,106	4,210	5,560	7,075
Retention payable – amount payable within one year	7,436	11,051	14,392	14,137
Accrued costs for construction works	24,296	8,035	22,447	23,326
Accrued operating costs and charges	2,799	4,212	308	791
Accrued staff costs	8,234	13,720	15,288	19,381
Accrued listing expenses	–	–	**[REDACTED]**	**[REDACTED]**
Rental deposits received	–	–	444	444
	49,871	41,228	59,245	70,040

Trade payables and accrued costs for construction work

The Group's trade payable mainly represents the payables for materials and the subcontracting fee. The credit period on purchase of goods and payment of subcontractors' works ranges from 0 to 90 days. The following table sets forth an ageing analysis of the trade payable, based on invoice date, as at the end of the Track Record Period:

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	2,396	1,615	2,225	2,006
31 – 60 days	122	994	710	3,450
61 – 90 days	1,015	261	254	253
Over 90 days	3,573	1,340	2,371	1,366
	7,106	4,210	5,560	7,075

The accrued costs for construction work represents the subcontracting cost accrued as at the end of the Track Record Period for the installation works undertaken by the subcontractors but not yet been certified by the Group due to time lag. The subcontracting cost will be accrued taking into account the timing of the last monthly payment certification issued by the Group before the year/period end date and the next monthly payment certification to be issued which the issuance time gap for the two payment certificates is usually one month.

The following table sets forth the turnover days for the trade payables and the accrued costs for construction work during the Track Record Period:

	Year ended 31 March			Five months ended 31 August
	2016	**2017**	**2018**	**2018**
	No. of days	*No. of days*	*No. of days*	*No. of days*
Trade payables and the accrued costs for construction work turnover days	39.9	33.3	37.1	57.7

Note: Trade payables and the accrued costs for construction work turnover days is calculated based on the average of the beginning and ending balance of the summation of trade payables and the accrued costs for construction work divided by cost of materials and subcontracting and other charges in aggregate in the total cost of sales for the year/period and multiplied by the number of days of the year (i.e. 365 days for a full year). Cost of materials and subcontracting and other charges for the five months ended 31 August 2018 is annualised for this purpose.

For each of the three years ended 31 March 2018, the turnover days for the trade payables and the accrued costs for construction work remained relatively stable which were also within the range of 0 to 90 days credit period granted by the Group's suppliers and the subcontractors.

For the five months ended 31 August 2018, the turnover days for the trade payables and the accrued costs for construction work increased to 57.7 days. Although it was within the range of 0 to 90 days credit period granted by the Group's suppliers and the subcontractors, comparing to that for the year ended 31 March 2018, it increased substantially. This was mainly due to that the Group had mutually agreed the credit term with a customer at 54 days from certification by the quantity surveyor which was longer than the typical credit terms of 44 days for other customers as set out in the paragraph headed "Trade debtors" of this sub-section above. As such, in order to manage and alleviate the pressure for its working capital, the Group had extended the time for repayment of the related trade payable(s).

Retention payable – amount payable within one year

The retention payable represents the monies withheld by the Group which are payable to the Group's subcontractors upon expiry of the related defects liability period. Generally, the Group provides a defects liability period to its customers, which begins on the date of the Practical Completion Certificate and normally ranges from 12 to 24 months, subject to the relevant terms of the contracts. During the defects liability period, the Group is responsible, at its own cost, for remedial works that may arise from defective works or materials used. In order to protect the Group's interest, correspondingly, the Group generally withholds 10% of each payment to its subcontractors as retention money. In general, the total amount of the retention money will not exceed 5% of the subcontracting fee. Subject to the terms of the relevant contracts, the retention money will generally be released after the end of the defects liability period.

The withholding of retention money by the Group based on its interim payments to the subcontractors in turn depends on the amounts of the subcontractors' works done and thus the subcontracting and other charges payable. This implies that there is close relationship between retention payable and subcontracting and other charges for the year/period.

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Retention payable – amount payable within one year	7,436	11,051	14,392	14,137
Percentage of retention payable to subcontracting and other charges	7.8%	11.1%	17.1%	21.0%

Note: Percentage of retention payable to subcontracting and other charges is calculated by dividing the retention payable as at the year/period end with the subcontracting and other charges for the respective year/period. Subcontracting and other charges for the five months ended 31 August 2018 is annualised for this purpose.

As at 31 March 2016 and 2017, percentage of retention payable to subcontracting and other charges remained at approximately 7.8% and approximately 11.1%, respectively, which was either within or approximating the 10% of the normal withholding percentage.

As at 31 March 2018, the percentage of retention payable to subcontracting and other charges increased to approximately 17.1%. Such increase was mainly due to that certain projects accumulated comparatively high balance of retention payable as at 31 March 2018 which had not yet been released to the relevant subcontractors as the respective defects liability period had yet to expire, while such projects incurred much lower subcontracting and other charges for the year ended 31 March 2018 than that for the previous year (such as the projects at Tong Yin Street, Chi Shin Street and So Kwun Wat).

As at 31 August 2018, the percentage of retention payable to subcontracting and other charges further increased to approximately 21.0% from that of approximately 17.1% as at 31 March 2018. Such increase was mainly due to a combined effect of (i) the fairly stable retention payable balance as at 31 August 2018 comparing with that as at 31 March 2018; and (ii) the much lower amount of subcontracting and other charges for the five months ended 31 August 2018 comparing with that for the year ended 31 March 2018. For the former, the stable balance is mainly a combined effect of (i) that the Group started to release the retention payable for certain projects (including the projects at Tong Chun Street, Tong Yin Street, Chi Shin Street and Mount Nicholson Road) to the relevant subcontractors during the five months ended 31 August 2018; and such amount of the decrease in the retention payable was just about to offset (ii) the increase in the retention payable for the projects at Lung Cheung Road, Lohas Park – Package 6 and Pak Shek Kok. For the latter, the annualised amount of the subcontracting and other charges incurred for the five months ended 31 August 2018 was much lower than that for the year ended 31 March 2018. Also, the percentage of subcontracting and other charges to the cost of sales for the five months ended 31 August 2018 was approximately 22.5% which was also lower than that of approximately 27.6% for the year ended 31 March 2018.

Accrued operating costs and charges

The balance mainly represents accrued audit fee, accrued renovation cost for the rented office premise and others. Overall, the balance remained low as at the end of the Track Record Period with a comparatively higher balance as at the year ended 31 March 2017 as there was a one-off accrued renovation cost for the rented office premise. As at 31 March 2018, the balance decreased as there was no accrued renovation cost for the rented office premise and the balance was relatively low. As at 31 August 2018, the balance remained relatively low at approximately HK$0.8 million.

Accrued staff costs

The balance mainly represents accrued salary and provision of bonus.

As at 31 March 2017, the balance increased by approximately HK$5.5 million or 66.6% to approximately HK$13.7 million from approximately HK$8.2 million as at 31 March 2016. Such increase was mainly due to the increase in the provision of bonus by approximately HK$4.0 million.

As at 31 March 2018, the balance slightly increased by approximately HK$1.6 million or 11.4% to approximately HK$15.3 million from approximately HK$13.7 million as at 31 March 2017. Such increase was mainly due to the increase in accrued salary by approximately HK$0.9 million.

As at 31 August 2018, the balance increased by approximately HK$4.1 million or 26.8% to approximately HK$19.4 million from approximately HK$15.3 million as at 31 March 2018. Such increase was mainly due to the increase in provision of bonus by approximately HK$2.7 million.

Provisions

The following table sets forth a breakdown of the Group's warranty provision and provision for rectification work as at the end of Track Record Period:

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Warranty provision	5,476	24,314	42,164	42,574
Provision for rectification work	36,694	90,813	63,977	67,955
	42,170	115,127	106,141	110,529
Current liabilities	17,106	39,039	29,895	35,433
Non-current liabilities	25,064	76,088	76,246	75,096
	42,170	115,127	106,141	110,529

Warranty provision

As at 31 March 2017, the balance increased by approximately HK$18.8 million or 344.0%, to approximately HK$24.3 million from approximately HK$5.5 million as at 31 March 2016. This was due to the provision of warranty expense of approximately HK$19.4 million, utilisation of approximately HK$1.3 million and the imputed interest expense on provision for warranty provision of approximately HK$0.7 million during the year ended 31 March 2017.

As at 31 March 2018, the balance increased by approximately HK$17.9 million or 73.4%, to approximately HK$42.2 million from approximately HK$24.3 million as at 31 March 2017, which was due to the provision of warranty expense of approximately HK$19.1 million, utilisation of approximately HK$2.9 million and the imputed interest expense on provision for warranty provision of approximately HK$1.7 million during the year ended 31 March 2018.

As at 31 August 2018, the balance increased slightly by approximately HK$0.4 million or 1.0%, to approximately HK$42.6 million from approximately HK$42.2 million as at 31 March 2018, which was due to the provision of warranty expense of approximately HK$1.6 million, utilisation of approximately HK$2.1 million and the imputed interest expense on warranty provision of approximately HK$0.9 million during the five months ended 31 August 2018.

The fluctuations of the balances for the warranty provision as at the end of the Track Record Period were mainly due to the amount of provision of warranty expense charged to the consolidated statements of profit or loss and other comprehensive income for each of the corresponding year/period which had been discussed in the above sub-section headed "Principal Components of Results of Operations — Provision for warranty charged to the consolidated statements of profit or loss and other comprehensive income" in this section.

Provision for rectification work

As at 31 March 2017, the balance increased by approximately HK$54.1 million or 147.5% to approximately HK$90.8 million from approximately HK$36.7 million as at 31 March 2016. This was mainly due to that more sizeable projects with their respective rectification works became foreseeable but with comparatively less rectification works being carried out during the year ended 31 March 2017. This resulted the substantial balance of the provision for rectification work remained as at 31 March 2017. In this regard, the key projects contributing most of the year ended balance of the provision for rectification work as at 31 March 2017 were the projects at Tong Yin Street, Chi Shin Street, So Kwun Wat and Kau To Shan which in aggregate amounted to approximately HK$67.3 million or accounted for approximately 74.1% of the total balance as at 31 March 2017.

As at 31 March 2018, the balance decreased by approximately HK$26.8 million or 29.6% to approximately HK$64.0 million from approximately HK$90.8 million as at 31 March 2017. This was mainly due to the carrying out of the rectification work and utilisation of the balance during the year, in particular for the projects at Tong Yin Street, Chi Shin Street and Mount Nicholson Road. The key projects contributing most of the year end balance of the provision for rectification work as at 31 March 2018 were the projects at Lai Ping Road, Tong Yin Street and Chi Shin Road which in aggregate amounted to approximate HK$50.9 million or accounted for approximately 79.6% of the total balance as at 31 March 2018.

As at 31 August 2018, the balance increased by approximately HK$4.0 million or 6.2% to approximately HK$68.0 million from approximately HK$64.0 million as at 31 March 2018. The increase was a combined effect of (i) that four projects (mainly for the projects at Lung Cheung Road, Lohas Park – Package 6 and Pak Shek Kok) with their respective rectification works became foreseeable and the Group started to recognise the provision of approximately HK$23.9 million for the five months ended 31 August 2018; and offset by (ii) the carrying out of the rectification work and utilisation of the balance of approximately HK$19.9 million, in particular for the projects at Tong Yin Street, Chi Shin Street, So Kwun Wat and Lai Ping Road. In this regard, the key projects contributing most of the period end balance of the provision for rectification work as at 31 August 2018 were the projects at Lai Ping Road, Lung Cheung Road, Lohas Park – Package 6, Tong Yin Street and Chi Shin Street, which in aggregate amounted to approximately HK$59.8 million or accounted for approximately 88.0% of the total balance as at 31 August 2018.

Amounts due from/due to fellow subsidiaries

Amounts due from fellow subsidiaries were approximately HK$2.9 million, HK$6.4 million, HK$nil and HK$0.7 million as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively.

Amounts due to fellow subsidiaries were approximately HK$15.5 million, HK$37.1 million, HK$nil and HK$nil as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively.

All the balances arising from related party transactions during the respective year, if any, were fully settled during each of the three years ended 31 March 2018 and left over the remaining balances of amounts due from/due to fellow subsidiaries as at the year end date of each of the Track Record Period being non-trade in nature. Such balances were arising from fund transfers from/to the Group as a result of the centralised treasury policy of the Hanison Group maintained to achieve a more flexible and efficient treasury management within the Hanison Group. As at 31 August 2018, there was an amount due from fellow subsidiaries of approximately HK$0.7 million remained outstanding which mainly represented the rental income received for the five months ended 31 August 2018 in connection with the Office Tenancy Agreements entered into between the Group and the Remaining Group with the term commenced in December 2017. Details of the Office Tenancy Agreements please refer to the sub-section headed "Continuing Connected Transactions – Fully Exempt Continuing

Connected Transactions – 1. De minimis transaction with the Remaining Group – Tenancy agreement" in this listing document. The amount will be settled immediately before the Distribution. As at the date immediately before the Distribution, there will be no inter-company loans or balances between the Group and the Remaining Group, save for certain inter-company balances arising from the ongoing connected transactions between the Group and the Remaining Group. Based on the above and the Group's own banking facilities, the Directors consider that the Group will be financially independent of the Remaining Group upon completion of the Spin-off.

The balances were unsecured, non-interest bearing and repayable on demand.

Amounts due from/due to immediate holding company

Amounts due from immediate holding company were HK$nil, approximately HK$228.0 million, HK$nil and HK$nil as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively. Included in the amount due from immediate holding company as at 31 March 2017 was an amount of approximately HK$119.7 million arising from the payment to an independent third party on behalf of the immediate holding company for the settlement of the consideration of investment properties acquired by the immediate holding company during the year ended 31 March 2017.

Amounts due to immediate holding company were approximately HK$33.5 million, HK$nil, HK$77.5 million and HK$84.0 million as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively.

The balances with the immediate holding company were arising from fund transfers with the Group. The balances were non-trade in nature and were unsecured, non-interest bearing and repayable on demand.

As represented by the Directors, the amount due to immediate holding company will be settled upon the Listing. As at the date immediately before the Distribution, there will be no inter-company loans or balances between the Group and the Remaining Group, save for certain inter-company balances arising from the ongoing connected transactions between the Group and the Remaining Group. Based on the above and the Group's own banking facilities, the Directors consider that the Group will be financially independent of the Remaining Group upon completion of the Spin-off.

Amount due to ultimate holding company

The amount due to the ultimate holding company were approximately HK$nil, HK$3.0 million, HK$nil and HK$nil as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively.

The amount was non-trade in nature, unsecured, non-interest bearing and repayable on demand.

As at the date immediately before the Distribution, there will be no inter-company loans or balances between the Group and the Remaining Group, save for certain inter-company balances arising from the ongoing connected transactions between the Group and the Remaining Group. Based on the above and the Group's own banking facilities, the Directors consider that the Group will be financially independent of the Remaining Group upon completion of the Spin-off.

Operating lease commitments

As leasee

As at the end of each of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March			**As at 31 August**
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	125	1,387	94	79
In the second to fifth year inclusive	-	1,286	27	2
	125	2,673	121	81

Operating lease payments represent fixed rentals payable by the Group for its office and car parking space. Lease was negotiable for a term of not more than three years.

As lessor

As at the end of each of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of the investment properties:

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	–	–	1,555	1,555
In the second to fifth year inclusive	–	–	2,721	2,073
	–	–	4,276	3,628

Lease are negotiable for lease term of not more than three years.

TRADING OUT OF ACCUMULATED LOSSES AS AT 1 APRIL 2015

As at 1 April 2015, the Group recorded accumulated losses of approximately HK$18.4 million. Such accumulated losses had been accumulated over a period of years reflective of poor market sentiment dating back from the financial crisis of 2008. After the departure of the then general manager in 2010, and also in order to manage the loss making position, Mr. Chuk Kin Lun and Mr. Lee Cheuk Hung, the Company's executive Directors, spearheaded a period of deliberate expansion of the Group's business which, as market conditions in Hong Kong improved, resulted in revenue and profitability growing successfully over the three years prior to the Track Record Period. During that period, the Group strengthened its management team and operations team, and implemented a number of measures to improve, among other things, tender and project management, and operational capacity and efficiency. The management team also approached property developers and architect firms to promote the Group's products and services in order to enhance the Group's market presence. As a result of the Group's efforts, in 2013, the Group was awarded a design, supply and installation contract for a prestigious luxury housing development project. The contracted works were completed in 2016, contributing to overall profitability over that period. The Group considered that the award of this project also had the effect of enhancing the Group's reputation for high end project work in the market and was a factor relevant to it winning other tenders that built revenue throughout the three years prior to the Track Record Period.

As a result of the Group's efforts to expand its business in the above and aided by the improved market conditions in Hong Kong, the Group was able to turnaround in its financial performance during the financial year ended 31 March 2012. Thereafter, the profit for the year increased from approximately HK$0.8 million for the year ended 31 March 2013 to approximately HK$31.1 million for the year ended 31 March 2015. As a result, the Group was also able to gradually decrease its accumulated losses during the three years prior to the Track Record Period, and the position further improved to become accumulated profits of approximately HK$12.8 million as at 31 March 2016.

INDEBTEDNESS

Bank and other loans

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

	As at 31 March			As at 31 August	As at 31 December
	2016	**2017**	**2018**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Bank loans	–	120,000	–	–	–
Other loan	–	7,028	–	–	–
	–	127,028	–	–	–
Secured	–	120,000	–	–	–
Unsecured	–	7,028	–	–	–
	–	127,028	–	–	–

For the year ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018, the Group's banking facilities were shared with other subsidiaries of the Remaining Group. The banking facilities were guaranteed by Hanison Construction (BVI), the immediate holding company of the Company and also a wholly owned subsidiary of Hanison. As at the Latest Practicable Date, the Group is arranging its own banking facilities for an aggregate amount of HK$220 million with three banks in Hong Kong, of which HK$120 million is available to the Group as at the Latest Practicable Date, and the remaining HK$100 million will be available upon the Listing.

As at 31 March 2016, there was no bank loans as all of them were fully repaid by end of the year.

As at 31 March 2017, the loan drawdowns were made on behalf of a company within the Hanison Group as a result of the centralised treasury policy of the Hanison Group. The bank loans carried interest at market rates of Hong Kong Interbank Offered Rate plus 1.2% per annum. The Group's other loan of RMB6.3 million (equivalent to HK$7,028,000) as at 31 March 2017 was unsecured, interest bearing at fixed interest rate of 4.9% per annum, and repayable within one year.

As at 31 March 2018, 31 August 2018 and 31 December 2018, there were no loans as all of the loans were fully repaid.

As at 31 December 2018, the Group had access to banking facilities granted by various banks in an aggregate amount of approximately HK$900.0 million. Except for one banking facility in an aggregate amount of HK$120.0 million which is only available for the Group, all other banking facilities are shared with other subsidiaries of the Remaining Group. Among the available amount of the banking facilities, approximately HK$170.4 million was jointly utilised by the Group and the other subsidiaries of the Remaining Group, leaving the remaining amount of approximately HK$729.6 million being unutilised. The Group will not have access to the Remaining Group's facilities after completion of the Spin-off. The Group has arranged for banking facilities with three banks in Hong Kong for an aggregate amount of HK$220 million, of which HK$120 million is available to the Group as at the Latest Practicable Date, and the remaining HK$100 million will be available upon the Listing. For the available banking facility of HK$120 million to the Group as at the Latest Practicable Date, the corporate guarantee provided by Hanison Construction Holdings (BVI) will be released and replaced by Million Hope Industries (BVI) upon the Listing.

Amount due to immediate holding company

	As at 31 March			As at 31 August	As at 31 December
	2016	**2017**	**2018**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Amount due to immediate holding company	33,477	–	77,452	84,016	86,747

The amount due to immediate holding company was arising from fund transfer with the Group.

The amount due to immediate holding company was non-trade in nature and was unsecured, non-interest bearing and repayable on demand.

The balances of bank and other loans and the amount due to immediate holding company as at 31 March 2016, 2017 and 2018 and 31 August 2018 were approximately HK$33.5 million, HK$127.0 million, HK$77.5 million and HK$84.0 million, respectively. Other than the above bank and other loans and the amount due to immediate holding company, the Group had no other indebtedness.

As at 31 December 2018, the Group had banking facilities granted by various banks in an aggregate amount of approximately HK$900 million, among which approximately HK$780 million was shared limit with other subsidiaries of the Remaining Group. As at 31 December

2018, the Group had no bank borrowing. The Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, the Group has not experienced any difficulties in obtaining bank loans nor any default in repayment on bank and other loans.

PERFORMANCE BONDS AND CONTINGENT LIABILITIES

Performance bonds

As at 31 March 2016, 2017 and 2018, 31 August 2018 and 31 December 2018, the Group had outstanding performance bonds in respect of construction contracts amounting to approximately HK$62.6 million, HK$100.8 million, HK$87.2 million, HK$109.1 million and HK$109.6 million, respectively. Hanison Construction (BVI) provided corporate guarantees for these outstanding performance bonds granted to the Group. Such corporate guarantees will be released upon Listing.

Contingent liabilities

Million Hope Industries (HK) and certain fellow subsidiaries of the Company provides a joint and several guarantee to an insurance company in respect of a surety bond facility granted to Million Hope Industries (HK) and its fellow subsidiaries and an amount of approximately HK$178.1 million, HK$205.5 million, HK$57.4 million and HK$57.4 million was utilised by the fellow subsidiaries of the Company as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively. In October 2018, Million Hope Industries (HK) was removed as a party to the facility while remaining as one of the guarantors of the facility. As at 31 December 2018, approximately HK$57.4 million was utilised by the fellow subsidiaries of the Company. All liability under the guarantee will be released upon the Listing.

No provision for financial guarantee contracts has been recognised in the historical consolidated financial statements as, in the opinion of the Directors, the fair value of the financial guarantee on initial recognition and the amount of provision to be recognised subsequently was insignificant.

Save as disclosed above, and apart from intra-group liabilities and normal trade payables, the Group did not have any mortgages, charges, debt securities, term loans, other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, or any guarantees or other materials contingent liabilities at the close of business on 31 December 2018.

NET CURRENT ASSETS

	As at 31 March			As at 31 August	As at 31 December
	2016	2017	2018	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(audited)*	*(unaudited)*
CURRENT ASSETS					
Inventories	28,723	33,006	26,593	38,295	41,333
Prepaid lease payments	213	201	207	200	199
Debtors, deposits and prepayments	12,399	12,957	69,872	53,682	64,746
Contract assets	45,789	56,296	66,933	61,948	55,142
Amount due from fellow subsidiaries	2,865	6,444	–	731	1,315
Amount due from immediate holding company	–	228,038	–	–	–
Taxation recoverable	–	–	–	–	7,037
Bank balances and cash	47,814	47,055	40,646	74,963	44,747
	137,803	383,997	204,251	229,819	214,519
CURRENT LIABILITIES					
Trade and other payables	49,871	41,228	59,245	70,040	70,079
Provisions	17,106	39,039	29,895	35,433	30,569
Contract liabilities	126	3,530	3,313	1,648	4,832
Amount due to ultimate holding company	–	2,969	–	–	–
Amount due to immediate holding company	33,477	–	77,452	84,016	86,747
Amounts due to fellow subsidiaries	15,465	37,143	–	–	–
Bank and other loans	–	127,028	–	–	–
Taxation payable	3,031	8,336	8,238	9,993	–
	119,076	259,273	178,143	201,130	192,227
NET CURRENT ASSETS	18,727	124,724	26,108	28,689	22,292

As at 31 March 2016, the Group had a net current assets position of approximately HK$18.7 million. This was mainly attributable to a combined effect of (i) the bank balances and cash of approximately HK$47.8 million; (ii) contract assets of approximately HK$45.8 million; (iii) inventories of approximately HK$28.7 million; and offset by (iv) trade and other payables of approximately HK$49.9 million; and (v) aggregate amount of approximately HK$48.9 million due to various inter companies mainly as a result of the centralised treasury policy within the Hanison Group.

As at 31 March 2017, the Group's net current assets increased by approximately HK$106.0 million to approximately HK$124.7 million as at 31 March 2017. Such increase was mainly due to a combined effect of (i) that there was substantial amount due from immediate holding company amounting to approximately HK$228.0 million as at 31 March 2017 mainly arising from the centralised treasury policy within the Hanison Group whereas there was HK$nil as at 31 March 2016; and offset by (ii) the bank and other loans amounting to approximately HK$127.0 million as at 31 March 2017 whereas there was HK$nil as at 31 March 2016.

As at 31 March 2018, the Group's net current assets decreased by approximately HK$98.6 million to approximately HK$26.1 million as at 31 March 2018. Such decrease was mainly attributable to (i) that there was amount due to immediate holding company amounting to approximately HK$77.5 million as at 31 March 2018 whereas there was amount due from immediate holding company amounting to approximately HK$228.0 million as at 31 March 2017; and offset by (ii) the increase in debtors, deposits and prepayments of approximately HK$56.9 million which in turn was mainly due to the increase in trade debtors as a result of the progress of individual projects; (iii) that there was HK$nil balance of amount due to fellow subsidiaries as at 31 March 2018 whereas the balance amounted to approximately HK$37.1 million as at 31 March 2017; and (iv) that there was HK$nil balance of bank and other loans as at 31 March 2018 whereas the balance of which amounted to approximately HK$127.0 million as at 31 March 2017 and such fluctuation was due to full repayment of the loans during the year ended 31 March 2018. The above fluctuations of the inter companies balance were mainly a result of the centralised treasury policy within the Hanison Group.

As at 31 August 2018, the Group's net current assets increased by approximately HK$2.6 million to approximately HK$28.7 million as at 31 August 2018. Such increase was mainly due to (i) the increase in bank balances and cash by approximately HK$34.3 million; and offset by (ii) the decrease in debtors, deposits and prepayments by approximately HK$16.2 million which in turn was mainly due to the decrease in trade debtors as a result of the decrease in balance for the projects at Lung Cheung Road and An Tuo Hill; (iii) decrease in contract assets by approximately HK$5.0 million which in turn was mainly due to the decrease in retention money receivable resulting from the release of retention money by certain customers as a result of the expiry of retention period; and (iv) increase in amount due to immediate holding company by approximately HK$6.6 million.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, the Group mainly financed its operations through internally generated cash flows and utilised the banking facilities for performance bonds for carrying out its projects. In the long term, the Directors believe that the Group's operation will continue to be financed in this way. As part of the Reorganisation, Hanison Construction (BVI), the immediate holding company of the Company, prior to the completion of the Spin-off, will inject an amount to the Group to increase the net asset value of the Group to an amount of not less than HK$500 million upon Listing. For reference only, based on the audited consolidated net asset value of the Group as at 31 August 2018 and taking into account the expected listing expenses to be incurred, the estimated reference amount to be injected is approximately HK$379.7 million in aggregate. This will provide the Group with further working capital for its future operation.

Cash flows

The following table sets forth a condensed summary of the Group's consolidated statements of cash flows during the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Net cash from operating activities	65,666	114,696	5,295	3,359	30,997
Net cash (used in)/from investing activities	(3,945)	(233,527)	226,740	32,325	(3,027)
Net cash (used in)/from financing activities	(48,368)	118,198	(238,643)	(47,315)	6,564
Net increase/(decrease) in cash and cash equivalents	13,353	(633)	(6,608)	(11,631)	34,534
Cash and cash equivalents at the beginning of the year/period	34,543	47,814	47,055	47,055	40,646
Effect of foreign exchange rate changes	(82)	(126)	199	260	(217)
Cash and cash equivalents at the end of the year/period, representing bank balances and cash	47,814	47,055	40,646	35,684	74,963

Cash flows from operating activities

The Group derives cash inflow from operating activities primarily from the receipt of payments from the contract works. Cash outflow from the Group's operating activities primarily includes costs of inventories, subcontracting and other charges, preliminary project costs (comprising performance bond charges, insurance charges and other miscellaneous costs), project staff costs in Hong Kong, and all other operating expenses such as administrative staff costs and other miscellaneous expenses.

Year ended 31 March 2016

For the year ended 31 March 2016, the Group recorded a profit before taxation of approximately HK$35.1 million and net cash from operating activities of approximately HK$65.7 million. The difference was mainly attributable to (i) adjustment for net provisions made of approximately HK$39.6 million (representing warranty provision and provision for rectification work) for the year ended 31 March 2016; (ii) a net cash outflow for movement in working capital of approximately HK$6.5 million; and (iii) interest paid of approximately HK$1.6 million and Hong Kong Profits Tax paid of approximately HK$2.0 million for the year ended 31 March 2016.

For the net cash outflow for movement in working capital of approximately HK$6.5 million for the year ended 31 March 2016, it was mainly due to (i) the increase in contract assets/liabilities (net) of approximately HK$13.4 million which in turn was mainly related to the increase in retention money withheld by the Group's customers; (ii) utilisation of provisions of approximately HK$9.2 million (representing warranty provision and provision for rectification work); and at the same time mainly offset by (iii) the decrease in debtors, deposits and prepayments of approximately HK$11.8 million; and (iv) the increase in trade and other payables of approximately HK$8.6 million which in turn was mainly attributable to the increases in trade payable, accrued cost for construction works and accrued staff costs.

Year ended 31 March 2017

For the year ended 31 March 2017, the Group recorded a profit before taxation of approximately HK$67.1 million and net cash from operating activities of approximately HK$114.7 million. The difference was mainly attributable to (i) adjustment for net provisions made of approximately HK$99.5 million (representing warranty provision and provision for rectification work) for the year ended 31 March 2017; (ii) a net cash outflow for movement in working capital of approximately HK$46.6 million; and (iii) Hong Kong Profits Tax paid of approximately HK$6.4 million for the year ended 31 March 2017.

For the net cash outflow for movement in working capital of approximately HK$46.6 million for the year ended 31 March 2017, it was mainly due to (i) the increase in contract assets/liabilities (net) of approximately HK$7.1 million which in turn was mainly related to the increases in retention money withheld by the Group's customers; and (ii) the utilisation of provisions of approximately HK$27.3 million (representing warranty provision and provision for rectification work).

Year ended 31 March 2018

For the year ended 31 March 2018, the Group recorded a profit before taxation of approximately HK$65.0 million and net cash from operating activities of approximately HK$5.3 million. The difference was mainly attributable to (i) adjustment for net provisions made of approximately HK$39.4 million (representing warranty provision and provision for rectification work) for the year ended 31 March 2018; (ii) a net cash outflow for movement in working capital of approximately HK$91.2 million; and (iii) Hong Kong Profits Tax paid of approximately HK$14.8 million for the year ended 31 March 2018.

For the net cash outflow for movement in working capital of approximately HK$91.2 million for the year ended 31 March 2018, it was mainly due to (i) the increase in debtors, deposits and prepayments of approximately HK$58.7 million, mainly as there was substantial amount of payment certificates issued in the last two months of the year ended 31 March 2018 giving rise to the related substantial increase in trade debtors; (ii) the increase in contract assets/liabilities (net) of approximately HK$10.9 million which in turn was mainly related to the increase in retention money withheld by the Group's customers and works performed but not yet certified and billed; (iii) utilisation of provisions of approximately HK$50.1 million (representing warranty provision and provision for rectification work); and partially offset by (iv) the increase in trade and other payables of approximately HK$17.5 million which was mainly due to the increase in accrued costs for construction works that the installation works have been undertaken by the subcontractors but not yet been certified by the Group due to time lag.

Five months ended 31 August 2018

For the five months ended 31 August 2018, the Group recorded a profit before taxation of approximately HK$11.4 million and net cash from operating activities of approximately HK$31.0 million. The difference was mainly attributable to (i) adjustment for net provisions made of approximately HK$25.4 million (representing warranty provision and provision for rectification work) for the five months ended 31 August 2018; and (ii) a net cash outflow for working capital of approximately HK$6.9 million. During the five months ended 31 August 2018, no Hong Kong Profit tax was paid as there was no such tax due for payments during the period.

For the net cash outflow for movement in working capital of approximately HK$6.9 million for the five months ended 31 August 2018, it was mainly due to (i) the increase in inventories of approximately HK$12.8 million which was mainly resulted from stocking up of inventory level for certain projects which were roughly or expected to be in the execution-peak stage around or at the period end; (ii) utilisation of provisions of approximately HK$22.0 million (representing warranty provision and provision for rectification work); and offset by (iii) the decrease in debtors, deposits and prepayments of approximately HK$13.6 million which in turn was mainly resulted from the decrease of trade debtors balance for certain projects; and (iv) the increase in trade and other payables of approximately HK$11.7 million which was mainly due to the increase in accrued staff costs for the provision of bonus and the increase in the accrued listing fee.

Cash flows from investing activities

During the Track Record Period, the Group's cash flows for investing activities primarily consisted of (i) (advances to)/repayment from immediate holding company and fellow subsidiaries; and (ii) purchase of investment properties and property, plant and equipment.

Year ended 31 March 2016

For the year ended 31 March 2016, the Group recorded net cash used in investing activities of approximately HK$3.9 million which was mainly due to (i) advance to fellow subsidiaries of approximately HK$4.4 million; (ii) purchase of property, plant and equipment of approximately HK$1.3 million; and offset by (iii) repayment from fellow subsidiaries of approximately HK$1.7 million.

Year ended 31 March 2017

For the year ended 31 March 2017, the Group recorded net cash used in investing activities of approximately HK$233.5 million which was mainly due to (i) advance to immediate holding company of approximately HK$228.0 million which included an amount of approximately HK$119.7 million arising from the payment to an independent third party on behalf of the immediate holding company for the settlement of the consideration of the investment properties acquired by the immediate holding company during the year ended 31 March 2017; (ii) advance to fellow subsidiaries of approximately HK$4.3 million; and (iii) purchases of property, plant and equipment of approximately HK$1.9 million.

Year ended 31 March 2018

For the year ended 31 March 2018, the Group recorded net cash from investing activities of approximately HK$226.7 million which was mainly due to (i) repayment from immediate holding company of approximately HK$228.0 million; (ii) repayment from fellow subsidiaries of approximately HK$8.4 million; and offset by (iii) purchases of the investment properties in Hong Kong and property, plant and equipment of approximately HK$7.9 million in aggregate; and (iv) advance to fellow subsidiaries of approximately HK$2.0 million.

Five months ended 31 August 2018

For the five months ended 31 August 2018, the Group recorded net cash used in investing activities of approximately HK$3.0 million which was due to purchase of property, plant and equipment.

Cash flows from financing activities

During the Track Record Period, the Group's cash flows for financing activities primarily consisted of repayment of bank loans, new bank and other loans raised and advance from/(repayment to) immediate holding company, fellow subsidiaries and ultimate holding company.

Year ended 31 March 2016

For the year ended 31 March 2016, the Group recorded net cash used in financing activities of approximately HK$48.4 million which was mainly due to (i) repayments of bank loans of approximately HK$120.0 million; and offset by (ii) advance from immediate holding company of approximately HK$19.9 million; and (iii) new bank and other loans raised of approximately HK$50.0 million.

Year ended 31 March 2017

For the year ended 31 March 2017, the Group recorded net cash from financing activities of approximately HK$118.2 million which was mainly due to (i) new bank and other loans raised of approximately HK$127.0 million which were in turn mainly made on behalf of a company within the Hanison Group as a result of the centralised treasury policy of the Hanison Group; (ii) advance from fellow subsidiaries of approximately HK$21.8 million; and offset by (iii) repayment to immediate holding company of approximately HK$33.5 million.

Year ended 31 March 2018

For the year ended 31 March 2018, the Group recorded net cash used in financing activities of approximately HK$238.6 million which was mainly due to (i) repayments of bank and other loans of approximately HK$157.0 million; (ii) repayment to immediate holding company of approximately HK$71.3 million; (iii) repayment to fellow subsidiaries of approximately HK$38.1 million; and offset by (iv) new bank and other loans raised of approximately HK$29.8 million.

Five months ended 31 August 2018

For the five months ended 31 August 2018, the Group recorded net cash from financing activities of approximately HK$6.6 million which was solely due to advance from immediate holding company.

CAPITAL EXPENDITURE

During each of the three years ended 31 March 2018 and the five months ended 31 August 2018, the Group incurred capital expenditure for the addition of (i) property, plant and equipment; and (ii) investment properties.

For the years ended 31 March 2016 and 2017, capital expenditure were comparatively low at approximately HK$1.3 million and approximately HK$1.9 million, respectively, which mainly included purchases of plant and machinery.

For the year ended 31 March 2018, the Group incurred substantial capital expenditure to acquire a subsidiary with the major assets of (i) the investment properties of approximately HK$56.3 million as at the date of acquisition; and (ii) office units being used as the Group's office premise and car parking spaces of a commercial property, Kings Wing Plaza 1, situated in Shatin, Hong Kong, amounted to approximately HK$89.1 million as at the date of acquisition.

For the five months ended 31 August 2018, capital expenditure were comparatively low at approximately HK$3.0 million, which mainly included purchases of motor vehicles.

WORKING CAPITAL

The Directors are of the opinion that, taking into consideration (i) the internal resources; (ii) the injection, prior to the completion of the Spin-off, from the Remaining Group to the Group to increase the net asset value of Group to an amount of not less than HK$500 million upon Listing; and (iii) the Group's own banking facilities, the Group has sufficient working capital for its present requirements for at least the next 12 months commencing on the date of this listing document.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Save as disclosed in the sub-section headed "Performance Bonds and Contingent Liabilities" above in this section, the Group has not entered into any material off balance sheet commitments or arrangements during the Track Record Period and up to the Latest Practicable Date.

DISTRIBUTABLE RESERVES

As at 31 August 2018, the Company did not have any distributable reserve available for distribution to Shareholders.

KEY FINANCIAL RATIOS

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

	Notes	Year ended 31 March			Five months ended 31 August
		2016	2017	2018	2018
Return on total assets	1	18.7%	13.5%	13.1%	5.3%
Return on equity	2	134.1%	73.4%	38.9%	16.4%
Net profit margin	3	8.5%	11.0%	11.9%	5.7%
Interest coverage	4	20.4 times	65.1 times	25.5 times	13.8 times

	Notes	As at 31 March			As at 31 August
		2016	2017	2018	2018
Current ratio	5	1.2 times	1.5 times	1.1 times	1.1 times
Gearing ratio	6	143.6%	168.4%	60.2%	64.0%
Net debt to equity ratio	7	N/A (no net debts)	106.0%	28.6%	6.9%

Notes:

1. Return on total assets is calculated by dividing profit for the respective year/period with total assets as at the end of the respective year/period multiplied by 100%. Profit for the period is adjusted on an annualised basis.
2. Return on equity is calculated by dividing profit for the respective year/period with total equity as at the end of the respective year/period multiplied by 100%. Profit for the period is adjusted on an annualised basis.
3. Net profit margin is calculated by dividing profit for the year/period with revenue for the respective year/period multiplied by 100%.
4. Interest coverage is calculated by dividing profit before finance costs and taxation charge with finance costs for the respective year/period.
5. Current ratio is calculated by dividing total current assets with total current liabilities as at the end of the respective year/period.
6. Gearing ratio is calculated by dividing total debts which represent bank and other loans and the amount due to immediate holding company in aggregate with total equity as at the end of the respective year/period multiplied by 100%.
7. Net debt to equity ratio is calculated by dividing bank and other loans and the amount due to immediate holding company in aggregate minus bank balances and cash with total equity as at the end of the respective year/period multiplied by 100%.

Return on total assets

For the year ended 31 March 2017, return on total assets decreased to approximately 13.5% from 18.7% for the year ended 31 March 2016. This was due to that although profit for the year ended 31 March 2017 increased by approximately 77.0%, total assets as at 31 March 2017 increased even more substantially by approximately 145.3%. The substantial increase in the total assets as at 31 March 2017 was due to the substantial amount of amount due from immediate holding company of approximately HK$228.0 million as at 31 March 2017 whereas the balance was nil as at 31 March 2016. The amount due from immediate holding company was non-trade in nature and not used for the Group's operation and thus no related profit was generated in this regard. As such, the return on total assets decreased.

For the year ended 31 March 2018, return on total assets was approximately 13.1% which was comparable to that for the year ended 31 March 2017 of approximately 13.5%.

For the five months ended 31 August 2018, return on total assets decreased to approximately 5.3% from 13.1% for the year ended 31 March 2018. Such decrease was primarily attributed to lower profit earned and the increase in the listing expenses for the five months ended 31 August 2018.

Return on equity

For the year ended 31 March 2017, return on equity decreased to approximately 73.4% from 134.1% for the year ended 31 March 2016. This was due to that although profit for the year ended 31 March 2017 increased by approximately 77.0%, equity as at 31 March 2017 increased even more substantially by approximately 223.4%.

For the year ended 31 March 2018, return on equity further decreased to approximately 38.9% from 73.4% for the year ended 31 March 2017. Such decrease was primarily attributed to the lower profit earned for the year ended 31 March 2018 while the equity increased for the year ended 31 March 2018.

For the five months ended 31 August 2018, return on equity further decreased to approximately 16.4% from 38.9% for the year ended 31 March 2018. Such decrease was primarily attributed to lower profit earned and the increase in the listing expenses for the five months ended 31 August 2018.

Net profit margin

For the year ended 31 March 2017, net profit margins increased to approximately 11.0% from 8.5% for the year ended 31 March 2016. Such increase was primarily caused by the increase in gross profit margin of approximately 18.3% for the year ended 31 March 2017 from 15.5% for the year ended 31 March 2016.

For the year ended 31 March 2018, net profit margins remained stable at approximately 11.9% comparing with that for the year ended 31 March 2017 of approximately 11.0%. The stable net profit margin was a result of the offsetting effect between the increase in the administrative expenses mainly caused by the increase in staff costs and the increase in the gross profit for the year ended 31 March 2018.

For the five months ended 31 August 2018, net profit margins decreased to approximately 5.7% from approximately 11.9% for the year ended 31 March 2018. Such decrease was primarily due to (i) decrease in gross profit margin of approximately 20.6% for the five months ended 31 August 2018 from approximately 27.8% for the year ended 31 March 2018; and (ii) the increase in the listing expenses for the five months ended 31 August 2018.

Interest coverage

For the year ended 31 March 2017, interest coverage increased to approximately 65.1 times from 20.4 times for the year ended 31 March 2016. The increase was primarily due to the increase in profit for the year and the decrease in the finance costs. The increase in profit before finance costs and income tax was approximately 84.3% and the decrease in finance costs was approximately 42.2% for the year ended 31 March 2017.

For the year ended 31 March 2018, interest coverage decreased to 25.5 times from 65.1 times for the year ended 31 March 2017. Such decrease was due to (i) the decrease in profit for the year ended 31 March 2018 of approximately 9.4%; and (ii) the significant increase in finance costs of approximately 153.0%.

For the five months ended 31 August 2018, interest coverage decreased to 13.8 times from 25.5 times for the year ended 31 March 2018. Such decrease was mainly due to the decrease in profit before taxation for the five months ended 31 August 2018.

Current ratio

Current ratio remained relatively stable at approximately 1.2 times, 1.5 times, 1.1 times and 1.1 times as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively.

Gearing ratio

As at the year ended 31 March 2016, the gearing was due to the amount due to immediate holding company and the gearing ratio was approximately 143.6%.

As at the year ended 31 March 2017, the gearing was due to bank and other loans and the gearing ratio was approximately 168.4%. Due to the centralised treasury policy of the Hanison Group, the Group's loan drawdowns were made on behalf of the other companies within the Hanison Group.

As at the year ended 31 March 2018, the gearing ratio was due to the amount due to immediate holding company and the gearing ratio was approximately 60.2%.

As at 31 August 2018, the gearing ratio was due to the amount due to immediate holding company and the gearing ratio was approximately 64.0%.

The fluctuations of the gearing ratios during the Track Record Period was due to the centralised treasury policy of the Hanison Group which resulted the gearing of the amount due to immediate holding company and the bank and other loans balances. Upon Listing, the Group will be financially independent and thus, will make its financial decisions independently based on its own financing needs.

Net debt to equity ratio

There was no net debts as at the year ended 31 March 2016 as bank balances and cash exceeded the amount due to immediate holding company.

As at the year ended 31 March 2017, net debt to equity ratio of the Group was approximately 106.0%. This was due to the relative high debts position comparing with its equity position as the high debts position was drawdowns on behalf of the other companies within the Hanison Group due to the centralised treasury policy of the Hanison Group. Upon Listing, the Group will be financially independent and thus, will make its financial decisions independently based on its own financing needs.

As at 31 March 2018, net debt to equity ratio of the Group was approximately 28.6%.

As at 31 August 2018, net debt to equity ratio of the Group was approximately 6.9%.

The fluctuations of the net debt to equity ratio during the Track Record Period was due to the centralised treasury policy of the Hanison Group. Upon Listing, the Group will be financially independent and thus, will make its financial decisions independently based on its own financing needs.

RELATED PARTY TRANSACTIONS

During the Track Record Period, the Group had certain related party transactions in relation to (i) design, supply and installation of aluminum windows and curtain walls services; (ii) equity-settled share-based payments charged by ultimate holding company; (iii) interest expenses; (iv) management fee expenses; (v) rental expenses; and (vi) rental income.

The Group had a commitment in relation to contracts entered into with fellow subsidiaries in respect of provision of design, supply and installation of aluminium windows and curtain walls services and the outstanding contract sum amounted to approximately HK$18.2 million, HK$4.8 million, HK$2.4 million and HK$nil as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively. In the opinion of the Directors, the remaining contracted commitment will be fulfilled and completed prior to the Listing.

These related party transactions were conducted in accordance with terms as agreed between the Group and the respective related parties. The Directors have confirmed that (i) all related party transactions during the Track Record Period were conducted on arm's length basis and normal commercial terms which were no less favorable to the Group than available to or from independent third parties and thus, are in the interest of the Group as a whole; (ii) these related party transactions would not distort the Group's results of operations for the Track Record Period or make the Group's historical results not reflective of the Group's future; (iii) except for the rental expenses in respect of the car parking spaces and the rental income, all the other related party transactions will discontinue upon the Listing; and (iv) all of the outstanding amounts due from and due to the related parties are non-trade in nature and all the related balances as at 31 March 2018, if any, will be settled prior to the Listing.

For further details on related party transactions and balances, please refer to "Note 25. Amounts due from Immediate Holding Company/Fellow Subsidiaries/A Subsidiary; Note 29. Amounts due to Ultimate Holding Company/Immediate Holding Company/Fellow Subsidiaries; and Note 39, Related Party Transactions" of the Accountants' Report set out in Appendix I to this listing document.

CAPITAL RISK MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to its shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes amounts due to ultimate holding company, immediate holding company and fellow subsidiaries, bank and other loans, net of cash and cash equivalents and equity, comprising share capital and reserves.

For further details on the Group's capital risk management, please refer to "Note 40. Capital Risk Management" of the Accountants' Report set out in Appendix I to this listing document.

Financial risk management

The Group's financial instruments include trade debtors, other receivables, amounts due from/to group companies, bank balances and cash, trade and other payables and bank and other loans. The Group's activities expose it to a variety of financial risks which comprise market risk (including currency risk and interest rate risk), credit risk and liquidity risk. For further details on the Group's financial risk management objectives and policies, please refer to "Note 41. Financial Instruments" of the Accountants' Report set out in Appendix I to this listing document.

PROPERTIES INTEREST

The carrying values of the Group's owner-occupied buildings in Hong Kong and leasehold land and buildings in the PRC from the audited consolidated statements of financial position as at 31 August 2018 were in aggregate amounted to approximately HK$105.5 million while the unaudited fair value of the above properties valued by an independent valuer as at 31 December 2018 was approximately HK$131.9 million. For the Group's investment properties in Hong Kong, their fair value from the consolidated statements of financial position as at 31 August 2018 was approximately HK$61.7 million while the unaudited fair value for the investment properties as valued by the independent valuer as at 31 December 2018 was approximately HK$62.6 million. The table below sets forth the reconciliation of the value of the properties from the audited consolidated statements of financial position as at 31 August 2018 to their respective unaudited fair value valued by the valuer as at 31 December 2018:

	Buildings in Hong Kong and leasehold land and buildings in the PRC	Investment properties
	HK$'000	*HK$'000*
Carrying values/fair value as at 31 August 2018	105,538	61,700
Less: depreciation/amortisation for the four months ended 31 December 2018	(1,469)	–
Exchange adjustments	(151)	–
Net book values/value as at 31 December 2018	103,918	61,700
Add: Fair value gain	27,982	900
Valuation as at 31 December 2018 per valuation report set out in Appendix III to this listing document	131,900	62,600

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Listing on the audited consolidated net tangible assets of the Group as at 31 August 2018, as if the Listing had taken place on that day.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 August 2018 or any future dates following the Listing.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2018 as extracted from the Accountants' Report set out in Appendix I to this listing document, and adjusted as follows:

		Pro forma adjustment		
	Audited consolidated net tangible assets of the Group as at 31 August 2018 *(Note 1)*	**Estimated listing expenses** *(Note 2)*	**Unaudited pro forma adjusted consolidated net tangible assets of the Group**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share** *(Note 3)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on **[REDACTED]** Shares issued prior to the Listing	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

[REDACTED]

[REDACTED]

DESIGN, SUPPLY AND INSTALLATION PROJECTS ON HAND

The following table reconciles the value of design, supply and installation projects for new buildings on hand as at the Latest Practicable Date to the amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 August 2018:

	HK$'million
Value of design, supply and installation projects for new buildings (i.e. excluding existing buildings and repair, maintenance and others) on hand as at the Latest Practicable Date	623.2
Add:	
• Value of design, supply and installation for renovation works projects for existing buildings on hand as at the Latest Practicable Date	10.9
• Value of repair, maintenance and others projects on hand as at the Latest Practicable Date	1.3
• Revenue recognised from 1 September 2018 to the Latest Practicable Date	142.9
Less:	
• Value of design, supply and installation projects for new buildings on hand which have been awarded but the contracts have yet to be entered into as at 31 August 2018	(172.6)
• Value of design, supply and installation projects for new buildings and repair, maintenance and others projects newly awarded from 1 September 2018 to the Latest Practicable Date	(84.8)
Amount of the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) as at 31 August 2018	520.9

LISTING EXPENSES

The Directors estimate that the total amount of expenses in relation to the Listing is approximately HK$**[REDACTED]**, which was/will be recognised as expenses in the Group's consolidated statements of profit or loss and other comprehensive income for the years ended/ending 31 March 2018 and 2019.

DIVIDENDS

There was no dividend declared during the Track Record Period and up to the Latest Practicable Date. The Group may declare dividends in the future after taking into account the results of operations, earnings, capital requirements, general financial condition, and other factors as the Directors may deem relevant at such time. The declaration of dividends is subject to the discretion of the Directors and the approval of the Shareholders (except for interim dividends) as may be necessary. Any declaration and payment as well as the amount of dividends will be subject to the constitutional documents of the Company and the Companies Law. The Group currently does not have a fixed dividend policy.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

MATERIAL ADVERSE CHANGE

Save as disclosed in the sub-sections headed "Recent Developments and Material Adverse Change" and "Listing Expenses" under the section headed "Summary" of this listing document, the Directors confirm that, up to the date of this listing document, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 August 2018 (being the date to which the latest audited consolidated financial statements of the Group were prepared), and there is no event since 31 August 2018 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this listing document.