You should read the following discussion and analysis in conjunction with our combined financial information and notes thereto set forth in the Accountant's Report included as Appendix I and our selected historical combined financial information and operating data included elsewhere in this prospectus. Our combined financial information has been prepared in accordance with HKFRSs issued by Hong Kong Institute of Certified Public Accountants. Our financial information and the discussion and analysis below assume that our current structure had been in existence throughout the Track Record Period. For further information in relation to our Group's structure, please refer to the section headed "History, Development, Reorganisation and Corporate Structure" in this prospectus.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please refer to the sections headed "Risk Factors" and "Forward-looking statements" for discussions of those risks and uncertainties.

Our financial year begins from 1 April and ends on 31 March. All references to "FY2015" and "FY2016" mean the financial years ended 31 March 2015 and 31 March 2016, respectively.

OVERVIEW

We are an established contractor in the Hong Kong car park flooring industry. We generate revenue by providing flooring work and ancillary work which includes concrete repairing and wall painting work on project-by-project basis. We conduct car park flooring work as part of a construction project, namely, the construction of new car park, or refurbishment project, namely, refurbishment of old car park. During the Track Record Period, our major customers were mainly main contractors and property developers in Hong Kong.

During FY2016, we experienced revenue growth mainly due to increase in the number of large-scale contracts secured and completed in FY2016. Our revenue for FY2016 was HK$68.6 million, representing an increase of 60.2% as compared with the corresponding figure of approximately HK$42.8 million for FY2015. Our gross profit for FY2016 was HK$32.6 million, representing an increase of 73.1% as compared with the corresponding figure of approximately HK$18.9 million for FY2015. Our profit after tax for FY2016 was HK$16.8 million, representing an increase of 51.5% as compared to FY2015.

Our Directors believe that our growth was attributable to our well-established market presence and our experienced management team.

FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS

Our results of operations and financial performance are subject to the influence of numerous factors, including those set out below and in the section headed "Risk Factors" in this prospectus:

Level of construction activities and frequency of renovation of existing car parks in Hong Kong

For FY2015 and FY2016, 78.9% and 83.6% of our revenue were derived from provision of car park flooring and ancillary works relating to new car parks, respectively, while 21.1% and 16.4% of revenue were derived from refurbishment of existing car parks, respectively. Therefore, our results of operations are affected by the number and availability of new construction projects and renovation of existing car parks in both public and private sectors in Hong Kong, which in turn are affected by various factors, including but not limited to, the general conditions of the property markets in Hong Kong, the general economic conditions in Hong Kong and changes in government town planning and/or housing policies. For instance, an economic downturn in Hong Kong, an outbreak of epidemic disease, and/or introduction of adverse government policies on property markets in Hong Kong may lead to a significant decline in the property prices and the number of property construction projects, which may in turn cause budget cuts by developers on overall spending on construction costs including costs for car park floor coating. This may result in a delay in refurbishment of car parks and exert cost pressure on tenders for our refurbishment projects.

Profitability of our projects

The majority of our revenue during the Track Record Period is derived from projects generally obtained by means of tender. The tender price is based on our estimated project costs plus a mark-up margin. We need to balance between pricing our projects competitive enough and maintaining an acceptable profit margin. As the tender price is fixed, we will have to bear any possible cost increment due to inflation. Also, in respect of some strategic projects which we intend to undertake to enhance corporate profile, we may submit a more competitive tender price with a lower profit margin. In case of strategic projects and inflations, the lower profit margin poses adverse effect on our profitability.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in (i) contract sum per contract secured and (ii) average gross profit margin on our gross profit and profit before income tax for FY2015 and FY2016, assuming that all other factors remain unchanged.

		Impact on gross profit and profit before income tax	
		FY2015	**FY2016**
		(HK$'000)	*(HK$'000)*
(i)	Change in contract sum per contract *(Note 1)*:		
	+9.9%	+4,238	+6,789
	–9.9%	-4,238	-6,789
(ii)	Change in gross profit margin *(Note 2)*:		
	+3.5%	+1,498	+2,400
	–3.5%	-1,498	-2,400

Notes:

1. The extent of fluctuation was determined by reference to the average CAGR of price trend of mid to high end car park flooring market in Hong Kong from 2011 to 2015 (9.6% for new construction market; 10.2% for refurbishment market) as stated in the Industry Report.

2. The extent of fluctuation was determined by reference to the difference of gross profit margin for FY2015 and FY2016.

Changes of material costs, subcontracting costs and direct labour costs

Our material costs, subcontracting costs and direct labour costs represent a significant portion of our cost of sales. During the Track Record Period, our material costs amounted to approximately HK$15.0 million in FY2015 and HK$19.8 million in FY2016, accounted for 62.8% and 55.2% of our total cost of sales, respectively. Our subcontracting costs amounted to approximately HK$6.4 million and HK$13.0 million for FY2015 and FY2016, which accounted for 26.8% and 36.2% of our total cost of sales, respectively, while direct labour costs amounted to approximately HK$2.1 million and HK$2.5 million, which accounted for 8.9% and 7.0% of our total cost of sales in FY2015 and FY2016, respectively.

Our ability to control and manage such direct costs affects our profitability; whereas the contract price is based on our estimation of project costs (which mainly include material and subcontracting costs) plus a mark-up margin at the time when we submit tender for projects or initial proposals to potential customers. Any fluctuation in the direct costs during the contracting period will affect our profitability.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in (i) material costs, (ii) subcontracting costs and (iii) direct labour costs on profit before income tax for FY2015 and FY2016, assuming all other factors remain unchanged:

(i) Change in material costs *(Note 1)*:

	Impact on profit before income tax	
	FY2015	**FY2016**
	(HK$'000)	*(HK$'000)*
+2.2%	–331	–437
–2.2%	+331	+437

(ii) Change in subcontracting costs *(Note 2)*:

	Impact on profit before income tax	
	FY2015	**FY2016**
	(HK$'000)	*(HK$'000)*
+7.7%	–494	–1,002
–7.7%	+494	+1,002

(iii) Change in direct labour costs *(Note 2)*:

	Impact on profit before income tax	
	FY2015	**FY2016**
	(HK$'000)	*(HK$'000)*
+7.7%	–164	–194
–7.7%	+164	+194

Notes:

1. The extent of fluctuation was determined by reference to the average CAGR of price of major flooring materials from 2011 to 2015 (2.3% for clear epoxy; 2.7% for coloured epoxy; 1.8% for primers; 2% for coloured topcoats) as stated in the Industry Report.

2. The extent of fluctuation was determined by reference to the CAGR of average daily wages of car park flooring workers of 7.7% from 2010 to 2015 as stated in the Industry Report.

Our ability to complete our projects on time

Our projects must be completed in accordance with customers' specifications, quality standards, safety measures and the time frame. The implementation of the project may be hindered by various factors, such as shortage of labour, delay in procurement of raw materials, dispute with subcontractors, accidents, and unforeseen problems and circumstances.

Any of these could give rise to project delay beyond the contractual completion date. If the reasons for delay are not found eligible and accepted by our customers such that an extension of time would be granted, we may be liable for liquidated damages calculated at a fixed amount per day pursuant to the contract. Any liquidated damages to be paid by us will therefore adversely affect our financial results materially. Our reputation would also be damaged, which in turn causes an adverse effect to our business operation and profitability.

Accuracy in our estimation of time and costs to be incurred in project before submitting tender

In pricing a tender or quotation, we are required to estimate the project time and costs based on various factors, such as (i) product specifications and (ii) the prevailing market conditions. Any deviation between the estimated time and costs at the time we submit the tenders or quotations and the actual costs to complete the projects may affect our Group's financial performance and profitability. For instance, if the amount we are required to pay for subcontractors exceed what we have estimated, we may suffer losses on these contracts. In particular, for lump sum fixed price contracts, we are required to execute all the specified details and quantities of works as stated in the contract at the fixed agreed price, and no re-measurement will be allowed. For FY2015 and FY2016, HK$37.5 million and HK$50.9 million of our revenue were derived from provisional price contracts subject to remeasurement, representing 87.5% and 74.2% of our revenue in the respective financial year, while HK$5.3 million and HK$17.7 million were derived from lump sum fixed price contracts, representing 12.5% and 25.8% of our revenue in the respective financial year. For our provisional price contracts subject to remeasurement, the final contract sum is subject to final remeasurement against actual work done. Moreover, if property developers delay the launch of their property projects due to decrease in property price, our revenue and profit may be adversely affected. There is no assurance that the actual amount of time and costs would not exceed our estimation during the performance of the car park flooring works. As a result, any material inaccurate estimation in the time and costs involved in a job may adversely affect our profit margin and results of operations.

Timing of collection of our trade receivables and retention receivables

We normally receive progress payment from our customers on a monthly basis with reference to the progress of works done. A portion of such progress payment is usually withheld by our customers as retention money. Once we have completed the entire project to the satisfaction of our customer, final payment will be paid by our customers after we reach agreement on the final account. Our customers will pay progress payments after our works commence and our payment applications will be certified by our customers. For details, please refer to the sections headed "Business – Progress payment" and "Business – Final settlement and retention money" in this prospectus.

We undertake a number of projects at any given period, and the cash outflow of a particular project could be compensated by the cash inflows of other projects. If we fail to assess the credibility of customers which result in a delay in payment or release of retention monies from our customers, our cash position may be adversely affected as substantial purchasing costs have been made without cash inflow from other projects at a particular point of time.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 30 May 2016 and became the holding company of KMK pursuant to the Reorganisation. Details of which are set out in the section headed "History, Development, Reorganisation and Corporate Structure" in this prospectus. The financial information of our Group has been prepared as if our Company had been the holding company of KMK throughout the Track Record Period.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The discussion and analysis of our financial position and results of operations are based on the combined financial statements prepared using the significant accounting policies, estimates and judgements set forth in notes 4 and 6 of the Accountant's Report set out in Appendix I to this prospectus, which conform with the HKFRS.

Below is a summary of certain significant accounting policies that we believe are important to the presentation of our financial results and positions. We also have other accounting policies, estimates and judgements that we consider important, details of which are set forth in notes 4 and 6 of the Accountant's Report in Appendix I to this prospectus.

Revenue recognition

Contracting service revenue is measured at the fair value of the consideration received or receivable.

Our revenue from contracting works is based on the stage of completion at the end of the reporting period. The percentage of completion is determined by the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs.

Construction contracts

Our contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, whereas our contract costs comprise material costs, subcontracting costs, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a contracting work can be estimated reliably, revenue and contract costs associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of each of our Track Record Period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred. The expected loss is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers (a liability). Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers (an asset). Progress billing not yet paid by customers is included in the combined statement of financial position under "Trade and retention receivables".

Plant and equipment

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

Depreciation is recognised so as to allocate the cost of items of plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	Shorter of remaining period of the lease or 3 years
Furniture, machines and equipment	33.3%
Motor vehicles	33.3%

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Warranty provisions

Our Group offers up to ten year warranties for our engineering work performed. Under these warranties, our Group is obliged to provide maintenance service and rectify any defects at our own costs. Based on historical information, it is rare to incur future warranty claims after all work is completed. Our Group are therefore of the opinion that no warranty provision is required. Should there be any changes to the actual claim pattern, an amount of provision may be necessary, which will impact the financial performance of our Group.

Provision for trade and retention receivables

Our management determines the provision for impairment of trade and retention receivables based on the credit history of customers and the current market condition by business segment. Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of our Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The final outcome of the recoverability of these receivables will impact the amount of impairment required.

RESULTS OF OPERATIONS

The following table sets out our combined statement of profit or loss for the Track Record Period. This information is derived and should be read in conjunction with the combined financial information contained in the Accountant's Report in Appendix I to this prospectus.

	FY2015 *(HK$'000)*	**FY2016** *(HK$'000)*
Revenue	42,808	68,575
Cost of sales	(23,944)	(35,917)
Gross profit	18,864	32,658
Other income	43	25
General and administrative expenses	(5,830)	(11,772)
Profit before income tax	13,077	20,911
Income tax expense	(1,991)	(4,114)
Profit after tax for the year	11,086	16,797

DESCRIPTION OF SELECTED ITEMS FROM COMBINED STATEMENTS OF PROFITS OR LOSS

Revenue

During the Track Record Period, our revenue was principally generated from the provision of car park flooring services for construction projects, namely, construction of new car parks in new buildings, and refurbishment projects, namely, refurbishment of old car parks in existing buildings. We act as either a main contractor or subcontractor when carrying out car park flooring and ancillary works. For our roles as a main contractor and subcontractor, please refer to the section headed "Business – Our business operations" in this prospectus.

Our revenue from car park flooring and ancillary works is recognised based on the stage of completion at the end of each reporting period. The percentage of completion is determined with reference to the proportion of our cost incurred on the contract to date and compares to the total budgeted contract cost. During the Track Record Period, our major customers are main contractors in the private sector in Hong Kong. For FY2015 and FY2016, revenue derived from customers in the private sector accounted for 89.8% and 93.5% of our total revenue, respectively.

The table below sets out our revenue by type of property during the Track Record Period:

	FY2015		FY2016	
	(HK$'000)	%	*(HK$'000)*	%
Private[1]				
Residential[2]	19,213	44.9	41,266	60.2
Residential/commercial	5,813	13.6	1,633	2.4
Commercial	12,040	28.1	20,118	29.3
Others[3]	1,375	3.2	1,068	1.6
Sub-total	38,441	89.8	64,085	93.5
Public				
Residential	248	0.6	–	–
Residential/commercial	–	–	1,203	1.8
Commercial	3,023	7.1	1,000	1.5
Others[4]	1,096	2.5	2,287	3.2
Sub-total	4,367	10.2	4,490	6.5
Total	42,808	100.0	68,575	100.0

Notes:

1. We classify public sector contracts as contracts in which the ultimate customer is a government department, statutory body or related organisation, or institutional body. Private sector contracts refer to contracts in which the ultimate customer is in the private sector, such as property developers and incorporated owners.

2. The type of a property is categorised by the nature of the principal use of the property.

3. Other private contracts include those related to hotels and industrial properties.

4. Other public contracts include those related to hospitals and highways.

During the Track Record Period, other than flooring services, we also provided ancillary services including (i) concrete repairing work and (ii) wall painting work, which are usually associated with our car park flooring projects.

The following table sets forth a breakdown of our revenue by flooring service and ancillary services during the Track Record Period.

	FY2015		FY2016	
	(HK$'000)	*%*	*(HK$'000)*	*%*
Revenue				
Flooring services	42,062	98.3	66,367	96.8
Ancillary services	746	1.7	2,208	3.2
Total	42,808	100.0	68,575	100.0

The following table sets forth a breakdown of our revenue derived from flooring service and ancillary services as classified by sector during the Track Record Period.

	FY2015		FY2016	
	(HK$'000)	*%*	*(HK$'000)*	*%*
Private sector	38,441	89.8	64,086	93.5
Public sector	4,367	10.2	4,489	6.5
Total	42,808	100.0	68,575	100.0

The following table sets forth a breakdown of our revenue derived from flooring service and ancillary services as classified by nature of contracts during the Track Record Period.

	FY2015		FY2016	
	(HK$'000)	*%*	*(HK$'000)*	*%*
New construction projects	33,767	78.9	57,322	83.6
Refurbishment projects	9,041	21.1	11,253	16.4
Total	42,808	100.0	68,575	100.0

Please refer to the paragraph headed "Period to period comparison of results of operations" in this section for a discussion of changes in our revenue during the Track Record Period.

Cost of sales

Our cost of sales primarily consists of material costs, subcontracting costs, direct labour costs, depreciation on machinery and transportation costs. During the Track Record Period, breakdown of our cost of sales were as follows:

	FY2015		**FY2016**	
	(HK$'000)	*%*	*(HK$'000)*	*%*
Material costs	15,032	62.8	19,843	55.2
Subcontracting costs	6,422	26.8	13,013	36.2
Direct labour costs	2,128	8.9	2,516	7.0
Depreciation on machinery	118	0.5	150	0.4
Transportation costs	244	1.0	306	0.8
Levies *(Note 2)*	–	–	90	0.4
	23,944	100.0	35,918	100.0

Note: Levies consists of "Construction Industry levy" paid to Construction Industry Council and levies paid to the Pneumoconiosis Compensation Fund Board.

Material costs

The largest component of our cost of sales was material costs, which amounted to approximately HK$15.0 million and HK$19.8 million, representing 62.8% and 55.2% of our cost of sales for FY2015 and FY2016. As disclosed in the section headed "Business – Customers, sales and marketing – principal terms of our contracts", the costs of materials and consumables are normally borne by us. During FY2015 and FY2016, 93.2% and 91.4% of our total purchase of material were for proprietary car park floor coating material.

Subcontracting costs

The subcontracting costs were services fees we paid to our subcontractors for projects undertaken. As disclosed in section headed "Business" of this prospectus, we outsourced part of our works, such as application of proprietary floor coating products, screeding, and painting of line markings, to subcontractors so as to better utilise our resources.

Direct labour costs

Direct labour costs mainly comprised salaries, wages, bonus and allowance provided for our workers who are directly involved in the contracted projects.

Depreciation on machinery

Depreciation represented depreciation charges in respect of our machinery which are directly being used in our projects.

Transportation costs

Transportation cost represents cost involved delivering material from off-site and our warehouse to project sites.

Please refer to the paragraph headed "Period to period comparison of results of operations" in this section for a discussion of the material changes in the amount of our direct costs.

General and administrative expenses

General and administrative expenses mainly include staff costs, Directors' remuneration and benefits, motor vehicle expenses, depreciation of fixed assets, entertainment expenses, operating lease rental expenses, and other administrative expenses. The following table sets out a breakdown of our administrative expenses for the years indicated:

	FY2015		**FY2016**	
	(HK$'000)	%	*(HK$'000)*	%
Staff costs (including director's remuneration)	2,774	47.6	4,588	39.0
Motor vehicle expenses	424	7.3	347	3.0
Depreciation (excluding depreciation for plant and machinery)	374	6.4	425	3.6
Entertainment expenses	359	6.2	394	3.4
Audit fee	330	5.7	300	2.5
Operating lease rental expenses	312	5.3	445	3.8
Repair and maintenance expenses	245	4.2	238	2.0
Bad debts written off	182	3.1	–	–
Consultancy fee	180	3.1	60	0.5
Provision for inventory	143	2.4	94	0.8
Insurance	103	1.8	141	1.2
Listing expenses	–	–	4,114	34.9
Others	404	6.9	626	5.3
	5,830	100.0	11,772	100.0

Staff costs

Staff costs in administrative expenses include directors' emoluments, and management, administrative and operational staff costs. Staff costs increased over the Track Record Period mainly due to the increase in the headcount of administrative and operational staff from seven in FY2015 to 13 in FY2016 as well as increase in staff salary and discretionary bonus to certain staff.

Directors' remuneration and benefits include directors' salary, bonus, mandatory provident fund contribution. For FY2015 and FY2016, directors' remuneration and benefits, which amounted to approximately HK$0.9 million and HK$0.8 million respectively, were recorded in administrative expenses under staff costs. The decrease in directors' remuneration mainly due to decrease in bonus in FY2016.

Operating lease rental expenses

Operating lease rental expenses were rental expenses for our office, warehouses and car parks.

Repair and maintenance expenses

Repair and maintenance expenses mainly consisted of repair and maintenance expenses for shot-blasting and screeding machinery.

Bad debts written off

Bad debts written off was due to billing to a customer who was wound up during FY2015.

Consultancy fee

Consultancy fee was paid to Mr. Jason Yip for his role as our consultant for marketing work. For details, please refer to section headed "Relationship with Joint Surplus".

Provision for inventory

Provision for inventory was primarily due to expiration of the 1-year shelf life of coating materials.

Insurance

Insurance mainly consisted of insurance coverage for staff, motor vehicle and office premises.

Listing expenses

Listing expenses of HK$4.1 million was charged in FY2016 in connection with the professional fees incurred for the Listing.

Other general and administrative expenses

Motor vehicles expenses consisted of fuel costs and parking fee. Entertainment expenses and others, which included local and overseas travelling, building management fees, utilities expenses, telecommunication charges and other sundry expenses, increased over the Track Record Period primarily due to our business expansion.

Please refer to the paragraph headed "Period to period comparison of results of operations" in this section for a discussion of the material changes in the amount of our general and administrative expenses.

Income tax expenses

Income tax expenses comprise current tax and deferred tax. Hong Kong profits tax was provided at the rate at 16.5% on our assessable profits arising in Hong Kong during the Track Record Period. For FY2015 and FY2016, our income tax expenses were approximately HK$2.0 million and HK$4.1 million and the effective tax rate were 15.2% and 19.7%, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

FY2016 compared to FY2015

Revenue

Our revenue increased from approximately HK$42.8 million for FY2015 to approximately HK$68.6 million for FY2016, representing an increase of 60.3% or approximately HK$25.8 million. Such increase was mainly due to an increase in number of larger contracts secured and completed in FY2016.

The following table sets forth a breakdown of our revenue by the amount of contract sums during the Track Record Period.

	FY2015		**FY2016**	
	Number of contracts (Note)	*Revenue recognised (HK$'000)*	*Number of contracts (Note)*	*Revenue recognised (HK$'000)*
Above HK$5 million	3	2,910	6	25,034
Above HK$2 million to HK$5 million	12	16,373	17	22,529
Above HK$1 million to HK$2 million	14	12,777	15	10,981
Above HK$0.5 million to HK$1 million	10	4,942	9	3,030
HK$0.5 million or below	56	5,806	54	7,001
Total	95	42,808	101	68,575

Note: The number of contracts refers to the number of projects which generated revenue recognised by our Group during the financial year.

Size of our projects during the FY2016 was larger compared to those in FY2015. In particular, there were 23 projects with contract sum over HK$2 million in FY2016 while there was only 15 such projects in FY2015.

Also, for FY2015, contract sum (excluding variation orders) for the five largest revenue generated contracts ranged from approximately HK$2.0 million to HK$4.9 million, while contract sums for FY2016 ranged from HK$3.1 million to HK$10.0 million.

For FY2015 and FY2016, we recognised approximately HK$13.6 million or 31.8% and HK$33.3 million or 48.6% of our total revenue, respectively, from the five largest revenue generated contracts. In particular, we had one project with contract sum of approximately HK$10 million, which was one of our largest contracts for a residential development in the private sector in FY2016.

Table below are details of our five largest revenue generated contracts during the Track Record period:

Five largest revenue generated contracts in FY2015

	Project location	Project type	Property type	Contract sum *(HK$'000)* *(Note)*	Commencement month/year	Completion month/year	Revenue recognised *(HK$'000)*
1.	Residential development at Tseung Kwan O	New construction	Residential	4,884	March 2014	February 2015	4,391
2.	Commercial development at Tsun Yip Street, Kwun Tong	New construction	Commercial	3,097	January 2015	March 2015	2,942
3.	Commercial development at Shing Yip Street, Kwun Tong	New construction	Commercial	2,293	November 2014	April 2015	2,179
4.	Residential development at lot 183 in Tai Po	New construction	Residential	1,967	July 2014	December 2014	2,111
5.	Residential and commercial development in Yuen Long	Refurbishment	Residential and commercial	1,970	November 2014	March 2015	1,970
						Total:	**13,593**
						As a percentage of total revenue in FY2015:	**31.8%**

Five largest revenue generated contracts in FY2016

	Project location	Project type	Property type	Contract sum (HK$'000) (Note)	Commencement month/year	Completion month/year	Revenue recognised (HK$'000)
1.	Residential development at Pak Shek Kok, Tai Po	New construction	Residential	9,976	June 2015	December 2015	11,972
2.	Commercial development at a shopping mall in Tsuen Wan	Refurbishment	Commercial	9,612	May 2015	February 2016	8,698
3.	Residential development at Tung Chung Town Lot No. 37	New construction	Residential	4,414	December 2014	November 2015	5,020
4.	Commercial development at Hung Luen Road, Hung Hom	New construction	Commercial	3,112	November 2015	March 2016	4,110
5.	Retirement Housing development at Tanner Road, North Point	New construction	Residential	3,340	May 2013	October 2015	3,520
						Total:	**33,320**
						As a percentage of total revenue in FY2016:	**48.6%**

Note: Contract sum does not reflect the sums from relevant variation orders (if any).

During the Track Record Period, we focused on the new construction market but was also involved in the refurbishment market. Our revenue from refurbishment projects increased from approximately HK$9.0 million in FY2015 to approximately HK$11.3 million in FY2016. Such increase was mainly due to the securing of our second largest project for a commercial development in private sector which contributed revenue of approximately HK$8.7 million in FY2016.

Cost of sales

Our cost of sales increased from approximately HK$23.9 million for FY2015 to approximately HK$35.9 million for FY2016, representing an increase of approximately HK$12.0 million or 50.2%. The increase was mainly due to increase in material costs and subcontracting costs, in line with our increase in revenue generated during the Track Record Period.

Our material costs, being the most significant component of our cost of sales, increased from approximately HK$15.0 million for FY2015 to approximately HK$19.8 million for FY2016, representing an increase of approximately HK$4.8 million or 32.0%. The increase was mainly due to increase in purchase of proprietary floor coating products from our major supplier to satisfy our additional projects need. As a result of better bargaining power to purchase materials at a better price, our increase in material costs was less than the increase in revenue.

Our subcontracting costs increased from approximately HK$6.4 million for FY2015 to approximately HK$13.0 million for FY2016, representing an increase of approximately HK$6.6 million or 103.1%. The increase was because more contract works were outsourced to subcontractors due to an increase in contract works undertaken in FY2016.

Our direct labour costs increased from approximately HK$2.1 million for FY2015 to approximately HK$2.5 million for FY2016, representing an increase of approximately HK$0.4 million or 19.0%. The increase was mainly due to increase in staff headcount and increase in salaries paid to direct labour in FY2016.

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by flooring service and ancillary service during the Track Record Period.

	FY2015		**FY2016**	
	Gross profit (HK$'000)	*Gross profit margin (%)*	*Gross profit (HK$'000)*	*Gross profit margin (%)*
Flooring services	18,366	43.7%	31,650	47.7%
Ancillary services	498	66.8%	1,008	45.6%
Total	18,864	44.1%	32,658	47.6%

The following table sets forth our gross profit and gross profit margin by sector of projects during the Track Record Period.

	FY2015		**FY2016**	
	Gross profit (HK$'000)	*Gross profit margin (%)*	*Gross profit (HK$'000)*	*Gross profit margin (%)*
Private sector	17,533	45.6%	29,774	46.5%
Public sector	1,331	30.5%	2,884	64.2%
Total	18,864	44.1%	32,658	47.6%

The following table sets forth our gross profit and gross profit margin by new construction projects and refurbishment projects during the Track Record Period.

	FY2015		FY2016	
	Gross profit (HK$'000)	*Gross profit margin (%)*	*Gross profit (HK$'000)*	*Gross profit margin (%)*
New construction projects	13,967	41.4%	27,468	47.9%
Refurbishment projects	4,897	54.2%	5,190	46.1%
Total	18,864	44.1%	32,658	47.6%

Our gross profit and gross profit margin are generally determined by our tender price of the projects. We usually take into account various factors in the course of tender submission such as the nature and complexity of works, size of the projects, competition, estimated direct costs, and schedules required by customers.

Our gross profit increased from approximately HK$18.9 million for FY2015 to approximately HK$32.7 million for FY2016, representing an increase of approximately HK$13.8 million or 73.0%, which was in line with our increase in revenue during the Track Record Period.

Our gross profit margin increased by 3.5% from 44.1% for FY2015 to 47.6% for FY2016. Such increase was mainly due to our securing of a project with the total contract sum of approximately HK$10 million in a commercial development at a shopping mall in Tsuen Wan with a relatively higher profit margin.

Our gross profit margin derived from private sector remained stable at around 45.6% and 46.5%, for FY2015 and FY2016, respectively.

Our gross profit margin from public sector increased from 30.5% for FY2015 to 64.2% for FY2016. Such increase was mainly due to our ability to secure a project in Po Heung Street with a relatively high profit margin. The project was awarded by Hong Kong Housing Authority with special site requirements and therefore requires the car park flooring materials tailored for its site conditions. Since our revenue was mainly derived from private sector, the increase of gross profit margin from public sector did not have significant impact to our overall gross profit margin during the Track Record Period.

Our gross profit margin from new construction projects increased from 41.4% for FY2015 to 47.9% for FY2016. Such increase was mainly due to our ability to secure projects in a commercial development on Hung Luen Road and a retirement residential development on Tanner Hill Road with relatively higher profit margins in FY2016.

Our gross profit margin from refurbishment projects decreased from 54.2% for FY2015 to 46.1% for FY2016. Such decrease was mainly due to a project in shopping mall in Yuen Long with a relatively higher profit margin secured in FY2015.

General and administrative expenses

The amounts of administrative expenses increased significantly from approximately HK$5.8 million in FY2015 to approximately HK$11.8 million in FY2016. Such increase was mainly due to the non-recurring expenses of approximately HK$4.1 million incurred in FY2016 in relation to the Listing.

Apart from the Listing expenses, staff costs for our directors, senior management and administrative staff increased by more than 65% from approximately HK$2.8 million in FY2015 to approximately HK4.6 million in FY2016 due to the salary adjustment, increase in discretionary bonus paid to certain staff, and increase in staff headcount in FY2016.

Income tax expense

Our income tax expense for FY2016 was HK$4.1 million, which was 106.6% higher compared to that in FY2015. The effective tax rate for FY2015 and FY2016 were 15.2% and 19.7%, respectively. This increase was mainly due to the non-deductible Listing expenses recorded in FY2016. For details of the income tax expense, please refer to note 20 of the Accountant's Report in Appendix I to this prospectus.

Profit after income tax and net profit margin

Our profit after tax for FY2016 was HK$16.8 million, representing an increase of 51.5% as compared to the corresponding figure of approximately HK$11.1 million for FY2015. This was mainly due to our significant increase in revenue during FY2016 as mentioned above.

Our net profit margin decrease from 25.9% in FY2015 to 24.5% in FY2016 was mainly due to an increase in our revenue and the incurrence of non-recurrent listing expenses of approximately HK$4.1 million in FY2016.

NET CURRENT ASSETS

We recorded net current assets of approximately HK$13.1 million, HK$23.5 million and HK$21.6 million as at 31 March 2015, 31 March 2016 and 31 July 2016, respectively. The table below sets forth our current assets and current liabilities as of the dates indicated:

	As at 31 March		As at 31 July
	2015	**2016**	**2016**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
	(Audited)	*(Audited)*	*(Unaudited)*
Current assets			
Inventories	4,095	5,943	9,434
Trade and retention receivables	8,565	17,204	28,549
Prepayments and other receivables	1,060	2,135	2,778
Amounts due from customers for contract work	369	1,201	876
Amount due from a related party	204	–	–
Cash and cash equivalents	16,917	14,172	10,486
	31,210	40,655	52,123
Current liabilities			
Trade payables	8,019	9,527	6,782
Accruals and other payables	1,329	4,068	8,677
Amounts due to customers for contract work	3,810	1,142	2,554
Amount due to a director	4,285	–	–
Amount due to Sage City	–	–	10,285
Current income tax liabilities	688	2,441	2,247
	18,131	17,178	30,545
Net current assets	13,079	23,477	21,578

Net current assets

Our Group's net current assets as at 31 March 2016 increased by 79.5% compared to 31 March 2015. The increase was mainly attributable to increase of trade and retention receivables by HK$8.6 million or 100.9% reflecting our increase in billing to customers of a few larger projects during last three months of FY2016.

Based on our unaudited combined financial statements as at 31 July 2016, our net current assets decrease from approximately HK$23.5 million as at 31 March 2016 to approximately HK$21.6 million as at 31 July 2016. The decrease was mainly due to increase in amount due to Sage City.

Further discussion of the fluctuation in the key components of our net current assets are set forth in the following paragraphs.

DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED BALANCE SHEETS

Inventories

Our inventories principally represent (i) proprietary floor coating materials for car park flooring, screeding and anti-skid surfacing; (ii) cement; (iii) sand; and (iv) shot-blasting beads for our projects. We acquire material on a project-by-project basis in accordance with the project specifications relying on our surveyor's estimation of the amount of materials needed. Further, for projects involving larger sites exceeding 4,000 sq. m., we usually purchase materials by work stage. As such, we generally do not retain a large amount of materials as inventory. In some rare occasions, the purchased materials are temporarily stored off-site until required to be used.

As at 31 March 2015 and 2016, our inventories represented 13.1% and 14.6% of our current assets, respectively. The following table set forth the amount of our inventories as at 31 March 2015 and 31 March 2016:

	As at 31 March	
	2015	**2016**
	(HK$'000)	*(HK$'000)*
Car park flooring-related materials	4,095	5,943
Inventory turnover days *(Note)*	84 days	92 days

Note: Inventories turnover days is calculated based on the average of the beginning and ending inventory balances for the year divided by the material costs for the year and multiplied by 365 days.

Our inventory increased by 45.1% from approximately HK$4.1 million as at 31 March 2015 to approximately HK$5.9 million as at 31 March 2016. For FY 2015 and FY2016, our average inventories turnovers days increased from about 84 days to 92 days, respectively. The increase in inventory and inventory turnover days were mainly due to stock up of proprietary floor coating materials for newly secured projects to be commenced for the coming months. For details of projects awarded but not yet commenced as at the Latest Practicable Date, please refer to the section headed "Business – Projects undertaken by our Group" in this prospectus.

We review our inventory levels to identity slow moving inventory or obsolescence on a monthly basis. Allowance is made against when the net realisable value of inventories falls below the cost or any of the inventories is identified obsolete. Provision for impairment of inventories of approximately HK$0.1 million and HK$0.2 million were recorded as at 31 March 2015 and 31 March 2016, respectively.

Among the inventory of approximately HK$5.9 million as at 31 March 2016, approximately HK$4.1 million, representing 69.9% of which, had been subsequently utilised as at the Latest Practicable Date.

Trade and other receivables

Our Group's trade and other receivables primarily represented trade receivables from customers, retention money receivables and utility deposits and listing expenses prepayment. The following table sets out a summary of our Group's trade and other receivables as of the dates presented:

	As at 31 March	
	2015	**2016**
	(HK$'000)	*(HK$'000)*
Trade receivables	5,911	14,301
Retention receivables	2,654	2,903
Total trade receivables	8,565	17,204
Other receivables, deposits and prepayments	1,060	2,135
	9,625	19,339

Trade receivables

Based on the activity carried out in the preceding month, we submit to our customers a payment application for a progress payment which generally includes the estimated fee for our work done. Once our customer is satisfied with our progress payment application, an interim payment certificate will be issued to us usually within one month. Our customer will settle the progress payment with us and will retain a certain percentage of our fee as retention money. The credit terms in relation to the settlement of progress payments due from our customers vary from contract to contract. Credit period granted to our customers, other than the retention receivables, is normally 30 days.

Our trade receivables increased from approximately HK$5.9 million as at 31 March 2015 to approximately HK$14.3 million as at 31 March 2016, represented an increase of approximately 141.9%. The increase in our trade receivables was higher than the increase in our revenue during the same period of approximately 60.2%, resulted from the larger size projects undertaken by our Group during the last quarter of FY2016. In particular, the trade receivables balance of approximately HK$3.6 million out of HK$5.9 million as at 31 March 2015 were due from invoices billed to our customers during the last three months of FY2015, while the balance of approximately HK$11.2 million out of HK$14.3 million as at 31 March 2016 were due from invoices billed to our customers during the last three months of FY2016. However, we believe our increased billing during the last three months of FY2016 was not due to any seasonality factor as it was mainly affected by the progress of projects and their completion dates as agreed with customers.

The following table sets forth the aging analysis (based on past due date but not yet impaired) of our gross trade receivables due from third parties, as at the dates indicated:

	As at 31 March	
	2015	**2016**
	(HK$'000)	*(HK$'000)*
Not yet past due	1,717	4,147
1 – 30 days	1,572	2,584
31 – 60 days	524	4,494
61 – 90 days	987	147
Over 90 days	1,111	2,929
	5,911	14,301

Our Group determines specific allowance for doubtful debts on a case-by-case basis having regard to a number of factors, including length of business relationship, the aging of the receivable balances, results of the follow-up procedures, customers' past reputation, and their financial strength and repayment history as well.

As at 31 March 2015 and 2016, approximately 71.0% of our Group's trade receivables were past due. This was because our customers need time to certify the percentage of work done by us before arrangement could be made for payment. Given our customer's financial standing and repayment history, we did not regard the late payment by our customers as bad debt.

During the Track Record Period, we incurred total bad debt of HK$0.2 million during FY2015 in respect of billing to a customer who was wound up during FY2015. Save for this, we did not experience any bad debt during the Track Record Period.

In the event that we notice any events or changes in circumstances which indicates the balances of receivables may not be collectible such as any financial or liquidity problem of the customers which may result in difficulty in settling the outstanding payments, relevant allowance of doubtful debt would be made.

The trade receivables past due but not impaired as at the end of each year were either subsequently settled or no historical defaults of payments was noted by the respective customers. Therefore, no allowance for doubtful debt has been made during the Track Record Period.

The trade receivables of approximately HK$2.9 million aged over 90 days as at 31 March 2016 comprised mainly of receivables from four of our projects which we were liaising with the customers on the amount of final settlements following their completion.

The following table sets out the turnover of our Group's average trade receivables for the periods presented:

	Year ended 31 March	
	2015	**2016**
Trade receivables turnover days *(Note)*	64 days	54 days

Note: Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables for the year divided by revenue during the year and multiplied by 365 days.

The trade receivables turnover days indicates the average number of days required for us to collect payments from our customers. Our trade receivable turnover days during the Track Record Period were longer than our credit terms granted to customers mainly because our customers usually take time to revert to us to confirm the amount of workdone before payment. Our trade receivable turnover days decreased from about 64 days for FY2015 to about 54 days for FY2016. The decrease in trade receivables turnover days during the Track Record Period was mainly due to stricter control of our collection of receivables.

As at the Latest Practicable Date, 89.0% and 33.4% of the trade receivables as at 31 March 2015 and 31 March 2016 were subsequently settled. 11% of the trade receivables as at 31 March 2015 remained unsettled as at the Latest Practicable Date due to (i) prolonged final account certification and settlement from the ultimate customers of the construction projects to our customers. Based on our understanding of the industry, it is normal for a main contractor to settle the final account with its subcontractors after the entire construction project is completed; and (ii) the fact that it usually takes three months (and in some cases up to 12 months or more) for us to reconcile final account with our customers upon completion of a project, which means that the final settlement usually becomes overdue by the time when we receive it from our customers. Out of the 11% of the trade receivables as at 31 March 2015 (i.e. HK$0.65 million) which remained unsettled as at the Latest Practicable Date, HK$0.43 million was attributed to the final settlement of one project completed prior to the Track Record Period. We are of the view that this delay in settlement is an exceptional case and such balance is expected to be settled by the end of September 2016.

We consider that the final account reconciliation process is a common practice in the car park flooring industry, which is reasonably time consuming when a project has come to completion, and it does not correlate with dispute nor collectability of the trade receivables. Based on the following, we are of the view that the delay in settlement of the trade receivables was not due to any disputes between ourselves and our customers:

(i) Assessment on the recoverability of trade receivables balance as at 31 March 2016 (up to the Latest Practicable Date)

	Settled *(HK$'000)*	**Certified but not yet settled** *(HK$'000)*	**Retention** *(HK$'000)*	**Pending for certification** *(HK$'000)*	**Total trade receivables as at 31 March 2016** *(HK$'000)*
Not yet past due	2,930	467	439	311	4,147
1 – 30 days	1,359	118	761	346	2,584
30 – 60 days	280	905	378	2,931	4,494
61 – 90 days	–	–	147	–	147
Over 90 days	201	322	435	1,971	2,929
Total	**4,770**	**1,812**	**2,160**	**5,559**	**14,301**
(% of total)	33.4%	12.7%	15.1%	38.9%	100.0%

(a) 33.4% trade receivables balance as at 31 March 2016 has been settled up to the Latest Practicable Date. On comparison, around 40.8% of trade receivables balance as at 31 March 2015 were settled in a similar time frame (i.e. 5 months from year end date). This shows that the settlement trend in 2016 was in line with our operating history.

(b) 12.7% of trade receivables balance has been certified (i.e. agreed by the customers) up to 30 August 2016 and, such amount is expected to be settled by end of September 2016;

(c) 15.1% of trade receivables balance will be retained as retention money and will be paid by customers pursuant to the terms of the relevant contract. Therefore, the amount should not be considered as past due; and

(d) Other than the amount as mentioned in items (a) to (c) above, the remaining balance of HK$5.6 million, or 38.9% of the trade receivables as at 31 March 2016, is still in the process of being certified by customers. Out of such amount, around HK$5.0 million was due from customers who are either listed company or well established company in Hong Kong with historical operation for which we have no reason to doubt their credit worthiness. The Directors confirm that such amount is usually substantially agreed by customers with no dispute, and will be settled soon after certification.

During the Track Record Period, despite that the time involved for actual settlement was longer than the credit period, the billed amounts were fully settled at the end and no bad debt was recorded, apart from the bad debt of approximately HK$0.2 million incurred during FY2015 in respect of billing to a customer that was wound up during that year. In summary, the unsettled amount is mainly attributed from final accounts billing, for which more time is usually needed for settlement.

(ii) Assessment of our credit control policy

Given the fact that (i) the Group's management reviews the account receivables balance on a monthly basis and the outstanding balance is expected to be settled in the coming three months; (ii) regular follow-up procedures had been taken; (iii) there was no history of default payment by our customers; and (iv) our account receivable turnover day of 54 days for FY 2016 is similar to the average receivable turnover days of comparable companies, the Sponsor is of the view that our credit control policy is adequate and effective.

Retention receivables

The retention receivables represent the retention money held up by our customers for contract works. The retention money is normally 10% of the progress payment of the projects up to a retention limit of 5% of the whole contract sum. Generally, the retention receivable would be released to us upon expiry of the defect liability period, which usually lasts for 12 months, subject to customers' satisfaction of works.

As at 31 March 2015 and 31 March 2016, retention receivables were approximately HK$2.6 million and HK$2.9 million, respectively. Of the above balances, HK$0.7 million and HK$0.5 million were past due but not impaired. These past due balances related to those customers who have good payment record. As at 31 March 2015 and 31 March 2016, the ageing of the retention receivables based on invoice date between 1 and 5 years were approximately HK$1.4 million and HK$1.4 million respectively.

As at 31 March 2016, the ageing of the retention receivables based on invoice date within 12 months amounted to be approximately HK$1.5 million. Up to the Latest Practicable Date, approximately 48.4% and 1.2% of retention balance as at 31 March 2015 and 31 March 2016 has been subsequently settled.

Prepayments and other receivables

Prepayments and other receivables mainly represent utility deposits and prepayments of listing expenses. Balance of prepayments and other receivables increased significantly from approximately HK$1.1 million as at 31 March 2015 to approximately HK$2.1 million as at 31 March 2016, which was primarily due to the payment of approximately HK$2.0 million as prepayment of listing expenses during FY2016.

Amounts due from/to customers for contract work

We recognised our revenue from contract work based on the stage of completion of the contracts. The stage of completion of a contract is established by reference to the gross billing value of contract work to date as compared to the total contract sum receivable under the contracts. If cost incurred plus recognised profit less recognised losses exceed progress billings, the net amount will be recognised as amount due from customers on contract work under our current assets. Conversely, if progress billing exceed cost incurred plus recognised profit less recognised losses, the net amount will be recognised as amount due to customers on contract works under our current liabilities.

It normally takes one month for the progress certificates to be issued by customers and thus, the following amounts due from customers for contract work mainly represent the value of works performed by our Group before the end of each reporting period of which the progress certificate had yet been obtained at the end of each reporting period:

The following table sets out the details of our amount due from/to customers on contract works as at the dates indicated:

	As at 31 March	
	2015	**2016**
	(HK$'000)	*(HK$'000)*
Contracts in progress at the end of the reporting period:		
Contract cost incurred plus attributable profit less foreseeable losses to date	5,517	9,831
Progress billing to date	(8,958)	(9,772)
Total	(3,441)	59
Analysed for reporting purpose as:		
Amounts due from customers for contract works	369	1,201
Amounts due to customers for contract works	(3,810)	(1,142)
Total	(3,441)	59

As at 31 March 2015 and 31 March 2016, the amounts due from customers amounted to approximately HK$0.4, million and HK$1.2 million, respectively. Such increase was mainly attributable to projects located at Argyle Street and Sha Po North which incurred certain subcontracting costs, material costs, direct labour costs and site overhead costs, while the payments of works completed had not yet been certified by the architects or surveyors of the customers.

Amounts due to customers for contract work represent the surplus derived when progress billings exceed the contract costs incurred plus recognised profits. The balances were approximately HK$3.8 million and HK$1.1 million as at 31 March 2015 and 31 March 2016, respectively.

The amounts due from or due to customers for contract work are usually affected by the volume and value of works performed by the Group in the last month of each reporting period and the timing of issuing the progress certificates, and thus may vary from period to period.

Amount due from a related party

The amount due from a related party, which was non-trade nature, unsecured, interest free and repayable on demand. The amount due from our related party represented payment on behalf of a company owned by Mr. Kwong and such amount was fully settled in July 2015.

Cash and bank balance

Our cash and bank balance as at 31 March 2015 and 31 March 2016 were approximately HK$16.9 million and HK$14.2 million, respectively. The decrease in our cash and bank balance was mainly due to the prepayment of listing expenses during FY2016. Please also refer to paragraph headed "Liquidity and capital resources – Cash flows" in this section.

Our cash and bank balance are denominated in Hong Kong Dollars. Cash at bank earns interest at floating rates based on daily bank deposit rates.

Trade payables

Our trade payables primarily consist of our balance due to suppliers and subcontractors, which are non-interest bearing and generally have a credit term of 30 days to 120 days. As at 31 March 2015 and 31 March 2016, we had trade payables of approximately HK$8.0 million and HK$9.5 million respectively. Our trade payables increased by approximately HK$1.5 million or 18% from 31 March 2015 to 31 March 2016 mainly because more billings were received during March 2016.

The following table sets forth the ageing analysis of our trade payables based on the invoice date as of the dates indicated:

	As at 31 March	
	2015	2016
	(HK$'000)	*(HK$'000)*
1-30 days	6,426	3,495
31-60 days	1,321	1,883
61-90 days	42	48
Over 90 days	230	4,101
	8,019	9,527

The following table sets forth our trade payables turnover days for the financial year ended indicated:

	As at 31 March	
	2015	2016
Trade payables turnover days *(Note)*	101 days	89 days

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables for the year divided by direct costs during the year and multiplied by 365 days.

The trade payable turnover days indicates the average number of days that we settle the payment to our suppliers or subcontractors. Our trade payables turnover days fell within the credit period granted to us by our major suppliers. Our trade payables turnover days decreased from 101 days as at 31 March 2015 to about 89 days as at 31 March 2016, mainly due to our earlier repayment of amounts due to subcontractors.

Up to the Latest Practicable Date, 96.7% or approximately HK$9.2 million of our trade payables as at 31 March 2016 had been settled.

Accruals and other payables

The following table sets forth our accrual and other payables as at the dates indicated:

	As at 31 March	
	2015	2016
	(HK$'000)	*(HK$'000)*
Accrued expenses	589	875
Customer deposits	448	1,864
Other payables	291	376
Accrued listing expense	–	953
	1,328	4,068

Our accruals and other payables mainly consist of accrual staff wages, deposit received from customer, accrued audit fee, other payables and accrued listing expense. The increase in the balance of accruals and other payables from approximately HK$1.3 million as at 31 March 2015 to approximately HK$4.1 million as at 31 March 2016 mainly due to increase in accrued listing expense to professional parties.

Current tax liabilities

The tax payable balance of our Group was approximately HK$0.7 million and HK$2.4 million as at 31 March 2015 and 31 March 2016, respectively. The increase in tax payable was mainly due to the increase in overall profit before tax in FY2016.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our principal sources of funds to finance our business growth derived primarily from our own internally generated working capital. We expect these sources will continue to be our principle sources of liquidity; whereas, net proceeds from the Placing and public offering is expected to increase our liquidity. We believe that in the long term, our operation will be funded by internally generated cash flows and, if necessary, additional equity financing or bank borrowings.

Cash flows

As at 31 March 2015 and 31 March 2016, we had cash and cash equivalents of approximately HK$16.9 million and HK$14.2 million respectively. The table below sets out a summary of the cash flows information of our Group during the Track Record Period:

	FY2015 *(HK$'000)*	**FY2016** *(HK$'000)*
Operating cash flow before working capital changes	13,893	21,580
Net cash generated from operating activities	18,705	9,566
Net cash used in investing activities	(511)	(453)
Net cash used in financing activities	(2,753)	(11,858)
Net increase/(decrease) in cash and cash equivalents	15,441	(2,745)
Cash and cash equivalents at beginning of year	1,476	16,917
Cash and cash equivalents at end of year	16,917	14,172

Net cash generated from operating activities

Our operating cash inflow is primary derived from our revenue from undertaking contract projects while our operating cash outflow mainly included payments for floor coating material, subcontracting cost, staff cost, as well as other working capital needs. Net cash generated from operating activities mainly consists of profit before taxation adjusted for depreciation charges, bad debt write off, provision for inventory obsolescence and the effect of changes in working capital such as increase or decrease in trade and other receivables, trade and other payables, amount due to or from customers for contract works.

FY2015

For FY2015, we recorded net cash from operating activities of approximately HK$18.7 million, which consisted of operating cash flows before changes in working capital of approximately HK$13.9 million, net positive changes in working capital of approximately HK$7.2 million and income tax paid of approximately HK$2.3 million.

We recorded net positive changes in working capital, which was mainly due to (i) an increase in trade payables of approximately HK$2.8 million, (ii) a decrease in trade and retention receivables of approximately HK$1.7 million, and (iii) a decrease in amount due from a company owned by Mr. Kwong of approximately HK$1.4 million, the aggregate effect of which was partially offset by an increase in inventories of approximately HK$1.4 million.

The increase in trade payables was mainly due to increase in purchase of material for newly secured projects commenced during the year. The decrease in trade and retention receivable was mainly due to faster settlement of receivables from our customers. The decrease in amount due from a related party was mainly due to settlement of account.

FY2016

For FY2016, our net cash generated from operating activities was approximately HK$9.6 million, which consisted of operating cash flows before changes in working capital of approximately HK$21.6 million, net negative changes in working capital of approximately HK$9.6 million and income tax paid of approximately HK$2.4 million.

We recorded net negative changes in working capital, which was mainly due to (i) an increase in trade and retention receivables of approximately HK$8.6 million, (ii) an increase in amounts due to customers for contract work of approximately HK$2.7 million, the aggregate effect of which was partially offset by an increase in accrual and other payables of approximately HK$2.7 million.

The increase in trade and retention receivable was mainly due to increase in revenue from contract billed during the first quarter of FY2016. The decrease in amount due to director results from settlement of the current account during FY2016. The increase in accrual and other payables results from accrual listing expenses.

Net cash used in investing activities

For FY2015 and FY2016, our net cash used in investing activities were approximately HK$0.5 million and HK$0.5 million, respectively. It was primarily attributable to purchase of equipment of approximately HK$0.5 million during the financial years.

Net cash used in financing activities

For FY2015, our net cash used in financing activities was approximately HK$2.8 million, which was primarily due to repayment of balance due to Mr. Kwong of approximately HK$1.8 million and prepayment of listing expenses of approximately HK$0.9 million.

For FY2016, our net cash used in financing activities was approximately HK$11.9 million, which was primarily attributable to the payment of dividend in respect of results of FY2015 of approximately HK$6.5 million, settlement of current account due to Mr. Kwong of HK$4.3 million and prepayment of listing expenses of approximately HK$1.0 million.

SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that, after taking into account existing financial resources available to us, our internally generated funds, and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

INDEBTEDNESS

The following table sets out our Group's indebtedness as at the end of the dated indicated. As of 31 July 2016, save as disclosed below, we did not have any other outstanding debt securities, term loans, borrowings, bank overdrafts, charges, mortgages, or other similar indebtedness, hire purchase and finance lease commitments, or guarantees or other contingent liabilities. We confirmed that we did not experience any withdrawal of facilities, default in payment of trade and other payables or bank borrowings, or breach of financial covenants, and had not experienced difficulties in meeting obligations during the Track Record Period and up to the Latest Practicable Date.

	As at 31 March		**As at 31 July**
	2015	**2016**	**2016**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
	(Audited)	*(Audited)*	*(Unaudited)*
Current liabilities			
Amount due to a director	4,285	–	–
Amount due to Sage City	–	–	10,285
Total:	4,285	–	10,285

Amount due to a director

As at 31 March 2015 and 31 March 2016, the amount due to a director amounted to approximately HK$4.3 million and nil, respectively. Amount due to a director represents amount due to Mr. Kwong which is unsecured, non-interest bearing and repayable on demand. Such amount represented dividend declared in FY2015 and had been fully off-set with Mr. Kwong's current account.

Amount due to Sage City

On 10 June 2016, Sage City advanced a total of HK$10,285,000 to our Group for the payment of professional fees and expenses associated with the preparation for the Listing. Such advance was made on an unsecured basis, interest-free and with no specific repayment date. On 19 September 2016, in preparation for the Listing exercise, a commercial bank in Hong Kong granted us an overdraft facility of HK$10 million. Such facility was drawn down in late September 2016 to repay the above loan advanced by Sage City prior to the Listing. The balance of approximately HK$0.3 million will be settled by our Group's internal resources prior to Listing.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure

During the Track Record Period, our Group did not incur material capital expenditure. Our capital expenditure in FY2015 and FY2016 amounted to approximately HK$0.5 million and HK$0.5 million respectively, which was incurred for the purchase of motor vehicles, equipment and machineries.

Commitments

As at 31 March 2015 and 31 March 2016, our Group did not have significant commitment in relation to capital expenditure.

The table below sets forth our operating lease commitments as at dates indicated:

	As at 31 March	
	2015	**2016**
	(HK$'000)	*(HK$'000)*
Within one year	34	37
Later than 1 year and no later than 5 years	5	–
	39	37

CONTINGENT LIABILITIES

As at 31 March 2015, 31 March 2016 and the Latest Practicable Date, we had no significant contingent liabilities or outstanding litigation.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet arrangement.

RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarised in note 25 to the Accountant's Report set out in Appendix I to this prospectus.

Related parties	Relationship with the Group
Mr. Kwong	Controlling Shareholder and director of the Group
Ms. Li Chuen Chun ("**Mrs. Kwong**")	Spouse of Mr. Kwong
Ms. Kwong Wing Yan ("**Ms. Kwong**")	Daughter of Mr. Kwong
Ms. Li Mei Ying ("**Ms. Li**")	Sister-in-law of Mr. Kwong
Kwong Man Kee Engineering *(note)*	A related company wholly owned by Mr. Kwong

Note: The Business Registration of Kwong Man Kee Engineering was cancelled on 29 March 2016.

During the Track Record Period, our transaction with related parties mainly include the following:

Nature of transaction	FY2015 *HK$'000*	FY2016 *HK$'000*
Office rental expense paid to Mr. Kwong	216	240
Car park rental expense paid to Mrs. Kwong and Ms. Kwong	26	34
Car park rental expense paid to Ms. Li	–	31

Our Directors confirm that each of such transactions was conducted on normal commercial terms and/or that such terms that were no less favorable to our Group than terms available from Independent Third Parties which are fair and reasonable and in the interest of the Shareholders as a whole. These related party transactions have been discontinued prior to the Latest Practicable Date.

Further information regarding the continuing connected transaction of our Group is set forth in the section headed "Continuing Connected Transactions" in this prospectus.

SELECTED KEY FINANCIAL RATIOS

	FY2015/ As at 31 March 2015	FY2016/ As at 31 March 2016
Net profit margin	25.9%	24.5%
Current ratio	1.7x	2.4x
Quick ratio	1.5x	2.0x
Return on assets	34.9%	40.8%
Return on equity	81.1%	70.1%

Notes:

1. Net profit margin is calculated by the total comprehensive income divided by the revenue for the respective year and multiplied by 100%.

2. Current ratio is calculated based on the current assets divided by current liabilities.

3. Quick ratio is calculated based on the current assets less amounts due from contract customers, divided by current liabilities.

4. Return on assets is calculated by the total comprehensive income for the year/period divided by total assets multiplied by 100.0%.

5. Return on equity is calculated by the total comprehensive income for the year/period divided by total equity multiplied by 100.0%.

Net profit margin

Our net profit margin was 25.9% for FY2015 and 24.5% for FY2016, representing a decrease of 1.4%.

The decrease in our net profit margin was mainly due to increase in our revenue and partially off-set by listing expenses of approximately HK$4.1 million incurred in FY2016.

Current and quick ratio

Our current ratio as at 31 March 2015 and 31 March 2016 was approximately 1.7 times, and 2.4 times respectively, while the quick ratio as at 31 March 2015 and 31 March 2016 was approximately 1.5 times and 2.0 times, respectively. Our current ratio and quick ratio improved during the Track Record Period. This was mainly attributable to the net movement in our cash and cash equivalents balance, and trade and our retention receivables, detailed explanation of the aforesaid movement are set out under the paragraphs headed "Financial information – Liquidity and capital resources", and "Financial information – Trade and receivables" in this section above.

Return on assets

Our return on asset increased from 34.9% for FY2015 to 40.8% for FY2016, primarily due to the increase in our net profit for FY2016 as detailed above.

Return on equity

Our return on equity decreased from 81.1% for FY2015 to 70.1% for FY2016, primarily because of the higher equity of approximately HK$24.0 million as at 31 March 2016 when compared with approximately HK$13.7 million as at 31 March 2015 as a result of the growth in the net profit of approximately 51.5% in FY2016.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various types of market risks including credit risk and liquidity risk.

Credit risk

Our credit risk is primary attributable to trade receivables, retention receivables, deposit, other receivables, amount due from director and cash and cash in bank.

Our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge the obligation by our counterparties is arising from carrying amount of respective resognised financial assets as stated in the combined statement of financial position as at the ended of the reporting period.

We assess the customer credit based on their financial position, repayment practice, credit history, duration of business relationship and other factors. In this respect, we have policy in place to ensure credit terms are granted to reliable customers as so to mitigate our credit risk.

We have a concentration of credit risks which exposure are limited to certain customers. Total receivables from our top five receivables balance amounted to approximately HK$3.0 million and HK$7.7 million, representing 50.7% and 54.1% of our total trade receivables, as at 31 March 2015 and 31 March 2016 respectively. As most of our top customers are reputable firms that are main contractors as well as property developers and that we closely monitor subsequent settlement of our customers, we are of the view that our credit risk exposure is insignificant.

Credit risk for bank balance is considered minimal as such amounts are placed with banks with good reputation.

Liquidity risk

We monitor our working capital requirement regularly and maintain a sufficient level of cash and cash balance deemed adequate by us to finance our operation and mitigate the effects of fluctuation in our cash flows.

As at 31 March 2015 and 31 March 2016, all of our financial liabilities were due within 12 months and equal their carrying amounts as the impact of discounting is not significant.

We also consider expected cash flow from financial assets in assessing and managing liquidity risk, in particular, our cash resources and other liquid assets that are readily convertible into cash. We strive to ensure our existing cash resources and other liquid assets exceed the cash outflow requirements.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer and on the net tangible assets of our Group attributable to the owners of the Company as of 31 March 2016 as if the Share Offer had taken place on 31 March 2016.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2016	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company as at 31 March 2016**	**Unaudited pro forma adjusted net tangible assets per Share**
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on an Offer Price of HK$0.40 per Share	23,958	42,034	65,992	0.11
Based on an Offer Price of HK$0.50 per Share	23,958	56,509	80,467	0.13

Notes:

(1) The audited combined net tangible assets attributable to the owners of the Company as at 31 March 2016 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2016 of approximately HK$23,958,000.

(2) The estimated net proceeds from the Share Offer are based on 150,000,000 Offer Share and the Offer Price of HK$0.40, and HK$0.50 per Offer Share after deduction of the underwriting fees and other related expenses amounting to approximately HK$22,342,000 (excluding listing expenses of approximately HK$4,114,000 which have been accounted for in the combined statements of comprehensive income prior to 31 March 2016) payable by the Company but takes no account of any Shares which may be issued upon the exercise of the options granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate as described in the section headed "Share Capital" in this prospectus.

(3) The unaudited pro forma net tangible assets per Shares is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 600,000,000 Shares were in issue assuming that the Share Offer has been completed on 31 March 2016 but takes no account of any Shares which may be issued upon the exercise of the options granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate as described in the section headed "Share Capital" in this prospectus.

(4) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 March 2016. In particular, the unaudited pro forma adjusted net tangible assets of the Group has not taken into account the declaration of a dividend of HK$3,500,000 which was approved by the Board of Directors on 20 May 2016. The unaudited pro forma net tangible assets per Share would have been HK$0.10 and HK$0.13 per Share based on the Offer Price of HK$0.40 and HK$0.50 respectively if the effect of such dividend had been accounted for.

LISTING EXPENSES

Our listing expenses mainly consist of the aggregate underwriting commissions and fees paid to the Sponsor, the Stock Exchange listing fee, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the Share Offer. Assuming an Offer Price of HK$0.45 per Offer Share (being the mid-point of the indicative offer price range stated in this prospectus), listing expenses, which are payable by us, are estimated to be approximately HK$22.3 million in aggregate. Among the total listing expenses, HK$6.6 million is expected to be accounted for as a deduction from equity, with the remainder totalling HK$15.7 million to be deducted from the Group's profit and loss account. Of the above HK$15.7 million, HK$4.1 million was charged to the combined statement of FY2016 while HK$11.6 million will be charged to the profit or loss account in FY2017. The listing expenses are subject to adjustment based on the actual amount incurred or to be incurred.

DIVIDEND

Dividends may be paid out by way of cash or by other means that our Group considers appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, future prospects and other factors that our Directors may consider relevant. Shareholders will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

We declared dividends of HK$6.5 million and HK$6.5 million in FY2015 and FY2016 respectively. For the dividend declared in FY2015, it was being off-set with our shareholder's current account. For the dividend declared in FY2016, it was paid by our internally generated resources. On 20 May 2016, we declared final dividend of HK$3.5 million in respect of FY2016. The above dividends are expected to be paid prior to Listing from our own internal resources. Consequently, total dividends in respect of FY2015 and FY2016 were HK$6.5 million and HK$10.0 million respectively, representing a dividend payout ratio of 59% of after-tax profits in their respective financial year.

We currently do not have any predetermined dividend payout ratio and may declare dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and depend at the discretion of our Directors considering our Group's financial results; shareholders' interests; general business conditions, strategies and future expansion needs; possible effects on liquidity and financial position of our Group; and other factors as our Board may consider relevant.

There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 30 May 2016. As at 31 March 2016, our Company did not have any reserves available for distribution to our Shareholders.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

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

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, we had 32 contracts on hand, among which 11 were in progress with total outstanding contract value of HK$8.6 million, and 21 had yet to commence work with total contract sum of HK$40.9 million. Out of the 32 contracts on hand, four of them were sizeable contracts with contract sum of over HK$5 million each. These four contracts involve provision of car park flooring works for a new construction project in a residential development on Clear Water Bay Road, Sai Kung a new construction project in a residential and commercial development at Tseung Kwan O, a new construction project in a residential and commercial development at Tsuen Wan, and a new construction residential development project in Yuen Long.

For details of projects in progress or not yet commenced, please refer to the section headed "Business – Projects undertaken by our Group – Projects in progress or not yet commenced" in this prospectus.

Save as disclosed in the paragraph headed "Listing Expenses" in this section, Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 31 March 2016 (being the date to which the latest audited combined financial statements of our Group were made up) up to the date of this prospectus.