You should read this section in conjunction with our Group's audited combined financial information, including the notes thereto, as set out in the Accountant's Report set out in Appendix I to this prospectus. Our Group's combined financial statements have been prepared in accordance with HKFRSs. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

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

OVERVIEW

Our Group is principally engaged in the foundation business and machinery leasing business in Hong Kong. This business is generally undertaken by our principal operating subsidiaries, Sunley, Sunnic and Full Gain, as main contractor or subcontractor in various construction projects. During the Track Record Period, revenue from construction works represented approximately 88.0%, 99.8% and 96.6% of our total revenue for each of the years ended 31 March 2010, 2011 and 2012, respectively. In addition to undertaking construction works in Hong Kong, we also lease our unutilised machines to third party machinery company and contractors. For each of the years ended 31 March 2010, 2011 and 2012 revenue from machinery leasing represented approximately 12.0%, 0.2% and 3.4% of our total revenue, respectively.

The following table sets forth a breakdown of our revenue by activities for the Track Record Period:

	Year ended 31 March					
	2010		**2011**		**2012**	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Revenue						
Construction contracts income from TRP Projects	45,148	88.0	250,605	97.3	302,571	96.6
Construction contracts income from the Second Project *(note)*	—	—	6,398	2.5	—	—
Machinery leasing	6,158	12.0	502	0.2	10,551	3.4
	51,306	100	257,505	100	313,122	100

Note: Revenue from construction works included the amount of HK$6,398,000 for the year ended 31 March 2011 being the ultimate total revenues finally yielded by recovery measures from one prior year foundation construction contact which was completed prior to the Track Record Period.

SUMMARY OF HISTORICAL COMBINED FINANCIAL INFORMATION

The selected financial information from our combined statements of financial position as of 31 March 2010, 2011 and 2012 and our combined statements of comprehensive income and combined statements of cash flows for the years ended 31 March 2010, 2011 and 2012 set forth below are extracted from our Accountant's Report included in Appendix I to this prospectus, and should be read in conjunction with the Accountant's Report set forth in Appendix I to this prospectus.

Summary of Combined Statements of Comprehensive Income

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
— TRP Projects	51,306	251,107	313,122
— Prior year project *(note)*	—	6,398	—
	51,306	257,505	313,122
Cost of sales			
— TRP Projects	(32,516)	(197,903)	(253,452)
— Reversal of provision for claims from prior year project *(note)*	—	11,243	—
	(32,516)	(186,660)	(253,452)
Gross profit	18,790	70,845	59,670
Other income and net gains	651	4,093	122
Administrative expenses	(6,207)	(31,492)	(25,813)
Operating profit	13,234	43,446	33,979
Finance costs	(52)	(426)	(2,097)
Profit before income tax	13,182	43,020	31,882
Income tax expense	(2,351)	(7,656)	(6,126)
Profit and total comprehensive income for the year attributable to equity holders of the Company	10,831	35,364	25,756
Dividend	—	—	9,300

Note: The revenue and reversal of provision for claims arising from prior year project represents income arising from the Second Project.

Summary of Combined Statements of Financial Position

	As at 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	83,946	171,118	185,533
Current assets	24,249	126,083	137,405
Current liabilities	35,720	70,094	59,840
Net current (liabilities)/assets	(11,471)	55,989	77,565
Total assets less current liabilities	72,475	227,107	263,098
Non-current liabilities	17,558	78,112	97,647
Net assets	54,917	148,995	165,451
Total equity	54,917	148,995	165,451

Summary of Combined Cash Flows Statements

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Net cash generated from operating activities	11,599	26,975	37,013
Net cash used in investing activities	(32,905)	(57,230)	(42,525)
Net cash generated from financing activities	18,356	73,088	7,461
Net (decrease)/increase in cash and cash equivalents	(2,950)	42,833	1,949
Cash and cash equivalents at 1 April	4,777	1,827	44,660
Cash and cash equivalents at 31 March	1,827	44,660	46,609

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 15 April 2011. Pursuant to the Reorganisation as more fully explained in the paragraph headed "Corporate Reorganisation" under the section headed "Statutory and General Information" in Appendix V to the prospectus, our Company became the holding company of the companies now comprising our Group. The combined financial information of our Group has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA. The combined statements of financial position, the combined statements of comprehensive income, the combined cash flows statements and the combined statements of changes in equity of our Group for the Track Record Period have been prepared using the financial information of the companies now comprising our Group for the Track Record Period as if the current group structure had been in existence throughout the Track Record Period, or since the date when the combining companies first came under the control of Mr. Leung and Dr. Ho (collectively, the "**Continuing Controlling Shareholders**"), whichever is a shorter period. The net assets and results of our Group were combined using the existing book values from the Continuing Controlling Shareholders' perspective.

For companies acquired from or disposed of to third parties during the Track Record Period, they are included in or excluded from the financial information of our Group from the respective dates of acquisition or disposal.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on combination.

The combined financial information, which is presented in HK Dollar, have been prepared in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of Listing Rules. HKFRSs include Hong Kong Accounting Standards and interpretations.

FIRST PROJECT AND SECOND PROJECT

Our Group adopted Hong Kong Accounting Standard 11 "Construction Contracts" ("**HKAS 11**") and recognises revenue and cost of construction in accordance with our accounting policies as stated in Note 2 (y) of the Accountant's Report set out in Appendix I to this prospectus.

Paragraph 22 of HKAS 11 states that when the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period.

Paragraph 23 of HKAS 11 states that the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

(a) total contract revenue can be measured reliably;

(b) it is probable that the economic benefits associated with the contract will flow to the entity;

(c) both the contract costs to complete the contract and the stage of contract completion at the end of the reporting period can be measured reliably; and

(d) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

Paragraph 11 of HKAS 11 states that contract revenue shall comprise (a) the initial amount of revenue agreed in the contract and (b) variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Paragraph 17 of HKAS 11 states that contract costs that relate directly to a specific contract include, inter-alia, claims from third parties.

The nature of our Group's business involves complex contractual terms, uncertainties in the underground situation of construction sites and environmental elements, such as bad weather, which may delay the progress of construction projects at which extension of time claims may be invoked by the contractors and variation of works may be subsequently requested by customers. Consequently, construction contracts typically provide for circumstances when (i) extra payments are to be made by the property developers to the contractors if certain variation work has been carried out by them; and (ii) liquidated damages are to be borne by the contractors if the project cannot be completed on schedule. Initial disagreements in the final contract sum between customers and contractors during the preparation of final accounts and negotiation on the final contract sum are common in the construction industry, and prolonged negotiation on the final contract sum are not uncommon for moderate and large scale construction contracts. Accordingly, our Directors consider, with which the Sponsor concurs, that in the event that our Group is indeed involved in a dispute with its customers, the ensuing negotiations, legal proceedings (if any), and dispute resolutions are considered to be activities conducted in the ordinary and usual course of business of our Group and the relevant profit arising from such construction contracts entered into by our Group as our core business would also be considered to be generated from our ordinary and usual course of business.

Our Group had certain disputes with a single customer in relation to the First Project and the Second Project which were completed in 2001 and 2003 respectively. The disputes in relation to the First Project had certain financial impacts on our Group before the Track Record Period while the disputes in relation to the Second Project had certain financial impacts on our Group before and within the Track Record Period.

For the First Project, prior to the Track Record Period, our Group had recognised the total revenue as agreed in the original contract amounted to HK$73.7 million and the relevant construction costs incurred for the project upon the completion of the construction work in 2001. However, our Group had certain disputes with the customer in relation to the First Project. Our Group claimed the customer for variation works while the customer claimed us for liquidated damages. The dispute was finally settled and the corresponding financial effect of such settlement had been recorded in our Group's financial prior to the Track Record Period. For the financial year ended 31 March 2009, as a result of the recovery measures, our Group reversed the claim provision of HK$35 million made in prior years and recorded the amount of HK$20 million finally yielded by our Group as revenue.

For the Second Project, prior to the Track Record Period, our Group had recognised the total revenue as agreed in the original contract amounted to HK$157.0 million and the relevant construction costs incurred for the project upon the completion of the construction work in 2003. However, our Group also had certain disputes with the customer in relation to the Second Project. Our Group claimed the customer mainly for extra/additional works and refund of liquidated damages in the sum of approximately HK$49.8 million while the customer claimed us mainly for additional damages in the sum of approximately HK$28.3 million. After taking into consideration the status of the disputes and the advice from our contract consultant, our management believed that there were significant uncertainties on the amounts of revenue and claims. Therefore the conditions stated in paragraph 23 of HKAS 11 were not met. Accordingly, no further revenue or cost was recognised.

During the financial year ended 31 March 2009, as the dispute and the recovery measures progressed, the management reassessed the possible outcome. After studying the basis of calculation of the variation works adopted by our Group and the basis of calculation of claims adopted by the customer, analysing the latest information collected and the arguments put forward by the customer and our Group, and taking the advice from our contract consultant, our Group recorded net expenses of HK$11.2 million as provision for claims, as management considered that the conditions as stated in paragraphs 22 and 23 of HKAS 11 were met.

During the financial year ended 31 March 2010, no significant triggering event took place.

For the financial year ended 31 March 2011, as the dispute and the recovery measures progressed, and taking into account the advice from our legal counsel and contract consultant about the likelihood of success of the recovery measures, our Group reversed the provision for claims of HK$11.2 million and recorded an estimated additional income of HK$6.4 million arising out of successful recovery measures as the management considered that the conditions as stated in paragraphs 22 and 23 of HKAS 11 were met for the year ended 31 March 2011. Legal expenses of approximately HK$1.1 million and HK$11.6 million were incurred by our Group for each of the years ended 31 March 2010 and 2011 respectively solely for the Second Project.

The Second Project had the following financial impact on our Group's combined statements of comprehensive income for each of the year ended 31 March 2010 and 2011:

	Year ended 31 March	
	2010	**2011**
	HK$'000	*HK$'000*
Revenue — construction contracts income from the Second Project	—	6,398
Cost of sales — reversal of provision for claims in relation to the Second Project	—	11,243
Administrative expenses — legal expenses	(1,122)	(11,608)
Impact before taxation	(1,122)	6,033
Taxation	185	(995)
Impact after taxation	(937)	5,038
Profit and total comprehensive income for the year attributable to equity holders of the Company excluding the impact of the Second Project	11,768	30,326

Had the financial impact of the Second Project been excluded from our Group's combined statements of comprehensive income, our net profit would have been approximately HK$11.8 million and HK$30.3 million for the years ended 31 March 2010 and 2011 respectively.

Set out below is the chronology of events leading to the settlement of the Second Contractual Dispute:

Month/Year	**Event**
July 2001	Commencement of the Second Project
October 2001	Our Group appointed external contract consultant for handling contract administration and contractual claims
July 2003	Certification of substantial completion
July 2003–July 2004	Preparation of the draft final account by the customer while our Group was actively involved in the provision of inputs and negotiations with the customer in the meantime
July 2004	The consultant quantity surveyor appointed by the customer issued the draft final account
July 2004–August 2006	Exchange/submission of reports/information by the parties, assessments of the claims by the customer, negotiations of the disputes between our Group and the customer

Month/Year	Event
Late 2006	Commencement of the recovery measures initiated by our Group
Late 2006–August 2008	Exchange of documents in relation to the recovery measures
August 2008–March 2009	Negotiations of the disputes between our Group and the customer
Mid 2009–Mid 2011	Continuance of the recovery measures, exchange of documents in relation to the recovery measures and conclusion of the recovery measures
Mid 2011	Settlement of the recovery measures

The Sponsor is of the view that the time required for the negotiation and settlement of the Second Project is in line with the normal time frame of the industry.

FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Directors consider the factors set forth below may have affected our Group's business and historical financial results and may also affect its future financial results.

Market demand

Our results of operations are directly affected by our revenue, which in turn is a function of market demand and our construction capacity. Market demand is in turn significantly affected by factors including the Hong Kong government's investment in housing and infrastructure projects, general demand for properties in Hong Kong, supply of land and the economic environment in Hong Kong. In addition, our results are influenced by general social and economic conditions in Hong Kong. During the Track Record Period, our revenue was significantly influenced by the size and number of construction projects carried out by us.

Pricing of our foundation or construction services

Contractors for foundation or construction projects are generally selected using a competitive tender process pursuant to which we must calculate our expected costs and submit a bid to project owner or main contractor. We determine our tender price taking into the considerations of factor such as technical constraints, project size, projected costs, target profit margin and the existing utilisation of our machinery and manpower. While it is our objective to charge a reasonable price to maximize the shareholders' value, offering an uncompetitive tender price higher than our competitors may render our tender unsuccessful. Offering a tender price below the actual cost may on the other hand erode or eliminate our gross profit and affect our financial results. Failure to balance the various factors in determining tender price will adversely affect our financial performance and results of operation.

Unexpected fluctuations in cost of sales

Construction contracts are normally awarded through competitive tendering process. We need to estimate the construction time and costs in order to determine the tender price. The actual costs of service may deviate from our estimation. There may be fluctuations in the costs of sales during the actual implementation of the project, which usually takes less than 12 months to complete. In the event that the cost of sales increases unexpectedly to the extent that our Group has to incur substantial extra costs without sufficient compensations, the financial performance and profitability of our Group will be adversely affected.

Recoverability of progress payment and retention money

We normally receive progress payment from our customers on a monthly basis, with reference to the value of works done, and a portion of contract value is usually withheld by our customers as retention money. If progress payment is not paid to us on time and in full, or the retention money or any future retention money is not remitted by our customers to us on a timely basis and in full or that the level of bad debt arising from such payment practice can be maintained at the same level as in the Track Record Period, our future liquidity position may be adversely affected.

Determination of price of variation works

Our customers may, in the course of project implementation, make "variation order" to our Group and request our Group to alter the scope of works or perform additional works on top of the terms and scope of original construction contracts by way of "variation order". Disagreements may arise in relation to the fees, costs and scope of variation of work. In the event our Group and the surveyor authorised by the customer failing to reach agreement on the rate at which the variation works are determined, the surveyor authorised by the customer shall fix the rate as shall in his opinion be reasonable. In the event our Group disagreeing the rates fixed by surveyor authorised by the customer, contractual disputes with our customers may arise, and our results of operation, liquidity and financial position may be adversely affected.

CRITICAL ACCOUNTING POLICIES

Our Group has identified certain accounting policies that are significant to the preparation of the combined financial statements in accordance with HKFRSs. These significant accounting policies are important for an understanding of the financial condition and results of operation of our Group and such accounting policies are set forth in the Accountant's Report in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgment related to accounting items such as assets, liabilities, income and expenses. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. Our management has identified below accounting policies that are most critical to the preparation of our combined financial statements.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of our Group's activities. Revenue is shown after eliminating sales within our Group.

(a) Construction contracts income

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

Revenue from contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to the construction works certified by an independent surveyor.

(b) Rental income on machinery

Operating lease rental income is recognised on a straight-line basis over the term of the lease.

(c) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over the remaining lease term
Building	Shorter of remaining lease term or useful life
Machinery	10%–20%
Office equipment	20%
Motor vehicles	20%–30%
Furniture and fixtures	20%

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

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

Gains and losses on disposal of all property, plant and equipment are the difference between the net disposal proceeds and the carrying amount of the relevant asset, and are recognised in profit or loss on the date of retirement or disposal within "Other income and net gains/(losses)" in the combined statement of comprehensive income.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of our Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

Leases and hire purchase contracts

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Our Group as lessee

Assets held under finance lease are recognised as assets of our Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as an obligation under finance lease. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with our Group's general policy on borrowing costs.

When a sale and leaseback results in a finance lease, any gain on sale is deferred and recognised as an income over the lease term. Any loss on sale is immediately recognised as an impairment loss when the sale occurs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivables as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Construction contracts in progress

Contracting work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. Cost comprises construction material costs, labour and overheads expenses incurred in bringing the work-in-progress to its present condition.

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

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

Revenue represents the gross contract receipts on construction contracts and rental income on machinery in the ordinary course of business. Construction contracts income is recognised based on the stage of completion of the contracts. The stage of completion of a contract is established by reference to the construction works certified by an independent surveyor. The portion of total contract revenue that is certified to have been completed in a period is recognised as revenue of our Group in the respective period. Operating lease rental income is recognised on a straight-line basis over the term of the lease. The revenue in the years ended 31 March 2011 and 2012 included the revenue generated by the newly acquired subsidiaries, Sunnic and Full Gain, during the period. The following table sets out the turnover by source of income during the Track Record Period:

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Construction contracts income from TRP Projects	45,148	250,605	302,571
Construction contracts income from the Second Project *(Note)*	—	6,398	—
Rental income on machinery	6,158	502	10,551
	51,306	257,505	313,122

Note: Revenue from construction works includes the amount of HK$6,398,000 for the year ended 31 March 2011 being the ultimate total revenues finally yielded by recovery measures from one prior year foundation construction contract which was completed prior to the Track Record Period.

Our Group also recognised construction contracts income of HK$6,398,000 from the Second Project in the year ended 31 March 2011. Our Group did not record any additional construction contracts income from prior year project in the years ended 31 March 2010 and 2012.

All or the majority of our Group's construction contracts income was derived from TRP Projects for each of the years ended 31 March 2010, 2011 and 2012. The construction contracts income from TRP Projects amounted to approximately HK$45.1 million, HK$250.6 million and HK$302.6 million respectively for each of the years ended 31 March 2010, 2011 and 2012. Some of our Group's construction contracts income was derived from the Second Project for a customer and it was completed in 2003. A revenue of approximately HK$6.4 million was recorded in the year ended 31 March 2011 in accordance with HKFRSs based on the assessment of the probable outcome of the recovery of income variation works from the customer in relation to the Second Project.

During the Track Record Period, our Group leased unutilised machinery to third party machinery company and contractors under short term operating leases. The rental income on machinery was recognised as our Group's revenue.

Cost of sales

Cost of sales primarily consists of (i) construction materials costs; (ii) subcontracting charges; (iii) staff costs; (iv) depreciation expenses for machinery; and (v) reversal of provision for claims. Construction material costs primarily include direct costs for the purchase of materials such as steel and concrete, and consumables such as diesel, spare parts and transportation costs that are directly attributed to project works. Subcontracting charges represent direct costs paid to our Group's subcontractors for various services such as steel bar fixing, concrete coring, excavation, pile cap construction, site investigation, foundation layout design, etc. Before the acquisition of Sunnic and Full Gain during the year ended 31 March 2011, our Group also subcontracted certain foundation work involving socketed H-pile to Sunnic which was then an Independent Third Party. Prior to acquisition of Sunnic and Full Gain, subcontracting fees payable to Sunnic was also recognised as our subcontracting charges. The reversal of provision for claims arose from the provision for claims previously made for the Second Project in the year ended 31 March 2009 before the Track Record Period. Staff costs represent compensation and benefits provided to direct workers involved in construction projects. Depreciation expenses for machinery which is used in generating our Group's revenue are recognised as part of the cost of sales. The cost of sales in the year ended 31 March 2011 included the cost of sales incurred by the newly acquired subsidiaries, Sunnic and Full Gain, since their acquisition by our Group on 8 June 2010 and 15 July 2010. In addition, our Group also recognised a reversal of provision for claims of approximately HK$11.2 million in relation to the Second Project in the year ended 31 March 2011.

The following table sets out the summary of cost of sales by nature during the Track Record Period:

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Cost of sales for TRP Projects			
Construction materials costs	16,665	91,872	115,442
Subcontracting charges	2,078	57,931	56,638
Staff costs	5,561	27,985	54,234
Depreciation	8,212	20,115	27,138
	32,516	197,903	253,452
Cost of sales for the Second Project			
Reversal of provision for claims	—	(11,243)	—
	32,516	186,660	253,452

The amount of each of the elements of cost of sales and the composition of cost of sales depend on various factors. The amount of construction material costs depends on the volume and price of materials used in construction projects. The amount of subcontracting charges depends on the complexity and skills involved in the subcontracting works in our Group's construction projects. When a construction project requires construction procedures or techniques that are beyond our Group's expertise or permitted areas, subcontractors are engaged and more subcontracting charge is incurred in general. Staff costs are primarily related to the number of direct workers of our Group. Depreciation arises from machinery which is used directly in generating our Group's revenue.

Some of our Group's cost of sales arose from the Second Project. Based on the then assessment of the probable outcome of the negotiation of the dispute of the Second Project and all documents available to the management of our Group, our Group recorded approximately HK$11.2 million as cost of sales in the year ended 31 March 2009 before the Track Record Period. The provision for claims of approximately HK$11.2 million recorded as cost of sales in the year ended 31 March 2009 were subsequently reversed in the year ended 31 March 2011 based on the assessment of the probable outcome of the recovery of income on variation works from the customer in relation to the Second Project.

Other income and net gains

Other income and net gains mainly includes gain on disposal of fixed assets and a gain on disposal of interest in a subsidiary. During the Track Record Period, our Group disposed of certain fixed assets. These fixed assets, which mainly included machines, were disposed of with sales proceeds, leading to gain on disposal of fixed assets. On 17 December 2010, our Group disposed of its entire equity interest in its subsidiary, Super Ease, which was engaged in property holding business, to Sunnic Holdings at a consideration of HK$342,000. The then carrying amount of the net assets of Super Ease was approximately HK$6,000. A gain on disposal of interest in a subsidiary of approximately HK$336,000 was accordingly recognised in the year ended 31 March 2011.

The following table sets out the summary of other income and net gains during the Track Record Period:

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Gain on disposal of fixed assets	529	3,318	64
Gain on disposal of a subsidiary	—	336	—
Interest income	1	1	37
Others	121	438	21
	651	4,093	122

Administrative expenses

Administrative expenses consist primarily of legal expenses, staff costs, operating lease rental on land and buildings, transportation expenses and depreciation expenses. The following table sets out administrative expenses by nature during the Track Record Period:

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Legal expenses	1,122	11,608	—
Staff costs, including Directors' emoluments	2,401	10,735	9,561
Other professional fees	183	617	5,362
Operating lease rental on land and buildings	610	1,841	2,615
Transportation	429	1,553	1,975
Repair and maintenance	25	864	1,405
Depreciation	332	1,030	1,005
Insurance	168	346	821
Auditor's remuneration	101	837	730
Entertainment	105	443	443
Printing and stationery	72	398	391
Building management fee	194	286	303
Other expenses	465	934	1,202
	6,207	31,492	25,813

Significant legal expenses of approximately HK$1.1 million and HK$11.6 million were incurred by our Group for each of the years ended 31 March 2010 and 2011 respectively solely for the Second Project. Other professional fees mainly represented expenses for retaining professional parties, etc. in the year ended 31 March 2012 for our Company's intended listing. Staff costs represented compensation and benefits provided to the Directors, our Group's senior management and administrative staff. Operating lease rental on land and buildings represented rental expenses for one warehouse and one office unit rented by Sunley in the Track Record Period, and rental expenses for one warehouse and one office unit rented by Sunnic in the years ended 31 March 2011 and 2012. Transportation expenses were incurred for transportation of our Group's machinery. Specialised transportation companies were engaged to transport our Group's machinery between construction sites and warehouses as specialised vehicles with heavy loading are required. Transportation expenses that were classified under administrative expenses represented the costs of transportation that were not incurred directly in construction works. Depreciation expenses for office equipment, motor vehicles and furniture and fixtures which were not directly involved in construction projects were recognised as an administrative expense. Repair and maintenance was mainly incurred to keep our Group's machines in good condition. Insurance expense was incurred mainly for our Group's construction projects.

Finance costs

Finance costs represent interest expenses on bank borrowings and finance lease liabilities. Interest on finance lease liabilities was incurred for some of our Group's machines that were acquired under finance leases in each of the years ended 31 March 2010, 2011 and 2012. Our Group purchased those machines from suppliers, sold them to a bank and the bank leased back those machines to our Group for lease terms ranging from two to five years. Interest on finance leases was determined by reference to HIBOR. Interest on bank borrowings was incurred by Sunnic for bank loans raised by it and was determined by reference to HIBOR or current prime rate.

Income tax

Our Group's revenue during the Track Record Period was derived in Hong Kong, and our Group was subject to profits tax in Hong Kong. Provision for Hong Kong profits tax is provided at the statutory profits tax rate of 16.5% of the estimated assessable profits for the Track Record Period. The effective tax rates of our Group for each of the years ended 31 March 2010, 2011 and 2012 were approximately 17.8%, 17.8% and 19.2%.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2012 compared to year ended 31 March 2011

Revenue

Our Group's revenue for the year ended 31 March 2012 increased by more than 20% to approximately HK$313.1 million as compared to the year ended 31 March 2011. The surge in revenue was due to the growth of revenue arising from both Sunley's and Sunnic's TRP Projects. Our Group recognised construction income of HK$6,398,000 from the Second Project in the year ended 31 March 2011 while our Group did not record any additional construction contracts income from prior year project in the year ended 31 March 2012. During the year ended 31 March 2012, our Group experienced an increase in construction activity and worked on four Major Projects that generated over HK$30 million revenue during the year, namely Fung Yuen, Bonham Strand, Lan Kwai Fong and 72 Mount Kellett Road. These four Major Projects contributed a total of revenue of approximately HK$149.4 million, representing 47.7% of our revenue during the year. In the year ended 31 March 2012, our Group worked on a total of 28 construction projects, deriving average construction income of approximately HK$10.8 million. Whereas in the year ended 31 March 2011, our Group also worked on a total of 26 construction projects, but deriving average construction income of approximately HK$9.6 million only.

Our Group also leased certain idle machines to third parties to earn additional rental income, and our Group earned rental income on machinery of approximately HK$10.6 million for the year ended 31 March 2012.

Cost of sales

Our Group's cost of sales surged from approximately HK$186.7 million for the year ended 31 March 2011 to HK$253.5 million for the year ended 31 March 2012. The sharp increase in cost of sale was due to the increase in construction materials costs, staff costs and depreciation expenses. The construction materials costs increased by 25.7% for the year ended 31 March 2012 as compared with the previous year, generally in line with the percentage increase in revenue of 21.6% for the same period. The percentage increase in depreciation charges of 34.9% was also in line with the growth of fixed assets of our Group. The net book value of our machinery grew continuously from approximately HK$83.1 million at the beginning of the year ended 31 March 2011 to approximately HK$170.9 million as at 31 March 2012.

The staff costs increased by 93.8% from approximately HK$28.0 million in the year ended 31 March 2011 to approximately HK$54.2 million in the year ended 31 March 2012, and surpassed the 21.6% increase in revenue in the year ended 31 March 2012 as compared with the previous year. This was partly due to the fact that Sunnic and Full Gain, which had more direct workers than Sunley, were acquired by our Group in June and July 2010 respectively. As at 31 March 2011, Sunley had a total of 54 direct workers, while Sunnic and Full Gain had a total of 75 direct workers. For the year ended 31 March 2011, the staff costs for direct workers of Sunnic and Full Gain for a period of seven to nine months since their acquisition by our Group were reflected. The increase in staff costs was also attributed to the wage increment during the year and the fact that our Group hired additional direct workers to cope with our project demand in the year ended 31 March 2012.

Besides, our Group recognised reversal of provision for claims for the Second Project of approximately HK$11.2 million for the year ended 31 March 2011. No such reversal of provision for claims was recognised for the year ended 31 March 2012.

Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin by nature of service:

	Year ended 31 March	
	2011	**2012**
Gross profit ***(HK$'000)***		
Attributed to:		
— TRP Projects	52,702	49,119
— Second Project	17,641	—
— Rental income on machinery	502	10,551
	70,845	59,670
Gross profit margin		
Attributed to TRP Projects *(note)*	21.0%	16.2%
Attributed to TRP Projects and rental income on machinery *(note)*	21.2%	19.1%
Overall	27.5%	19.1%

Note: In the gross profit margin analysis throughout this prospectus, it is assumed that depreciation expenses for machinery were attributed to the TRP Projects , even though certain machines were leased to customers and rental income on machinery was generated.

Our Group's total gross profit dropped by 15.8% from approximately HK$70.8 million for the year ended 31 March 2011 to approximately HK$59.7 million for the year ended 31 March 2012. The decrease was mainly attributable to the recognition of gross profit of approximately HK$17.6 million in the year ended 31 March 2011, arising from the recording of additional revenue and reversal of the provision for claims in respect of the Second Project. Had it not been for the additional gross profit arising from the Second Project, our gross profit would have grown by approximately HK$6.5 million for the year ended 31 March 2012. Such growth was attributable to the increase in rental income on machinery by approximately HK$10.1 million.

However, due to the increase in cost of sales, particularly the direct staff cost, the gross profit margin attributed to the TRP Projects slipped by 4.8 percentage point, down to 16.2% for the year ended 31 March 2012. The direct staff cost as a percentage of construction contracts income from the TRP Projects inflated from 11.2% for the year ended 31 March 2011 to 17.9% for the year ended 31 March 2012, mainly caused by the wage increment during the year and the fact that our Group hired additional direct workers to cope with our demand in the year ended 31 March 2012. For the reasons stated above, and the fact that our Group did not recognise any income from prior year project in the year ended 31 March 2012, the overall gross profit margin dropped from 27.5% to 19.1% in the year ended 31 March 2012. The gross profit margin attributed to TRP Projects and rental income on machinery dropped from 21.2% for the year ended 31 March 2011 to 19.1% for the year ended 31 March 2012 because of the increase in direct staff cost.

Other income and net gain

Our Group recorded other income and net gains of only HK$122,000 for the year ended 31 March 2012, and our Group's other income and net gains for the year ended 31 March 2011 amounted to approximately HK$4.1 million, including mainly net gain on disposal of fixed assets of approximately HK$3.3 million. More crawler cranes were disposed of during the year ended 31 March 2011, leading to the decrease in net gain on disposal of fixed assets for the year ended 31 March 2012.

Administrative expenses

The amounts of administrative expenses dropped from approximately HK$31.5 million for the year ended 31 March 2011 to approximately HK$25.8 million for the year ended 31 March 2012 mainly because our Group incurred legal expenses of approximately HK$11.6 million for the year ended 31 March 2011 for the Second Project, partially offset by the increase in other professional fees. Our Group did not incur any legal expense for the Second Project for the year ended 31 March 2012. In the year ended 31 March 2012, our Group incurred other professional fees of approximately HK$5.0 million for retaining professional parties in connection with the intended listing of our Company. Our operating lease rental on land and building increased by 42.0% to approximately HK$2.6 million for the year ended 31 March 2012 mainly because more rental expense was incurred after the acquisition of Sunnic and Full Gain by our Group in the year ended 31 March 2011. The repair and maintenance expense increased by 62.6% to approximately HK$1.4 million mainly because of the intensified use of our expanding portfolio of machinery.

Finance costs

The amounts of interest on bank borrowings and finance lease liabilities increased from approximately HK$426,000 for the year ended 31 March 2011 to approximately HK$2.1 million in the year ended 31 March 2012. Part of our investment in machinery was financed by bank borrowings and finance leases. The carrying amount of finance lease liabilities thus grew from approximately HK$18.4 million as at 31 March 2010 to approximately HK$77.5 million as at 31 March 2011 and further to approximately HK$98.1 million as at 31 March 2012. We had no bank borrowing as at 31 March 2010 and the carrying amount of our bank borrowings also increased to approximately HK$10.6 million as at 31 March 2012, thus the interest on bank borrowings and finance lease liabilities increased sharply.

Income tax

The effective tax rates for each of the years ended 31 March 2011 and 2012 were approximately 17.8% and 19.2% respectively. The effective tax rates for both years ended 31 March 2011 and 2012 were higher than the statutory profits tax rate of 16.5% because additional depreciation expense in relation to the acquisition of machinery of Sunnic and Full Gain was not deductible for tax.

Profit for the year

Our Group's profit for the year was approximately HK$25.8 million, slipped by 27.2% for the year ended 31 March 2012 as compared with the previous year, mainly because (i) our Group recorded additional income from prior year project of approximately HK$17.6 million for the year ended 31 March 2011; (ii) for the year ended 31 March 2012 our Group incurred additional professional fees in connection with the intended listing of our Company, amounting to approximately HK$5.0 million; and (iii) there was a gain on disposal of fixed assets of approximately HK$3.3 million for the year ended 31 March 2011.

Year ended 31 March 2011 compared to year ended 31 March 2010

Revenue

Our Group's revenue for the year ended 31 March 2011 increased fourfold to approximately HK$257.5 million in the year ended 31 March 2011 from approximately HK$51.3 million in the year ended 31 March 2010. The surge in revenue was due to (i) the growth of revenue arising from Sunley's own TRP Projects ; and (ii) the acquisition of Sunnic and Full Gain during the year ended 31 March 2011. In addition, our Group recognised construction income of approximately HK$6,398,000 from the Second Project in the year ended 31 March 2011.

Our Group's subsidiary, Sunley, experienced an increase in construction activity in the year ended 31 March 2011. During the year ended 31 March 2011, Sunley worked on nine projects with an average construction contracts income (arising from TRP Projects) of approximately HK$15.2 million per project (note 1). In comparison, during the year ended 31 March 2010. Sunley worked on six projects with an average construction contracts income (arising from TRP Projects) of approximately HK$7.5 million only. During the year ended 31 March 2010, Sunley endeavoured to broaden our customer base, causing the number of customers to increase in the year ended 31 March 2011. Sunley also worked on a major and large scale project, the Fung Yuen project, which contributed construction contracts income of approximately HK$71.6 million to Sunley in the year ended 31 March 2011, causing the average construction contracts income of Sunley to increase in the year ended 31 March 2011.

The acquisition of Sunnic and Full Gain by our Group brought considerable contribution to our Group's revenue. The construction contracts income attributable to Sunnic and Full Gain (note 1) amounted to approximately HK$114.5 million. Sunnic and Full Gain worked on 20 projects bringing an average construction contracts income of approximately HK$5.7 million to our Group after they had been acquired by our Group during the year ended 31 March 2011.

Note 1: During the year ended 31 March 2011, Sunley subcontracted a project to Sunnic and Sunnic subcontracted certain projects to Sunley. In the meantime, Sunnic also subcontracted certain projects to Full Gain. After the acquisition of Sunnic and Full Gain by our Group, construction contracts income is recorded in all subsidiaries that have taken part in carrying out a particular project. Such double-counting of construction contracts income is eliminated in our Group's combined financial statements. For the purpose of the above disclosure of construction contracts income attributable to respective subsidiaries, it is assumed that the portion of revenue associated with the work was earned by the subsidiary that has actually performed the construction work, rather than the subsidiary that subcontracted the work to another subsidiary.

Cost of sales

Our Group's cost of sales surged from approximately HK$32.5 million in the year ended 31 March 2010 to HK$186.7 million in the year ended 31 March 2011. The sharp increase in cost of sales was due to (i) the increase of cost of sales arising from the increase in number and value of Sunley's own TRP Projects ; and (ii) the acquisition of Sunnic and Full Gain during the year ended 31 March 2011, offset by the reversal of provision for claims in relation to the Second Project.

Our Group's subsidiary, Sunley, experienced an increase in construction activity in the year ended 31 March 2011. It worked on nine projects during the year ended 31 March 2011 whereas it only worked on six projects during the year ended 31 March 2010. Due to the increase in construction activity, the cost of sales (arising from TRP Projects) attributable to Sunley (note 2) increased from approximately HK$32.5 million in the year ended 31 March 2010 to approximately HK$99.4 million in the year ended 31 March 2011. Besides, projects carried out in the year ended 31 March 2010 were mostly bored piles projects and no extensive subcontracting was needed, thus subcontracting charges were exceptionally low in the year ended 31 March 2010.

The acquisition of Sunnic and Full Gain by our Group has resulted in a significant increase in cost of sales arising from the construction activities of Sunnic and Full Gain. The cost of sales attributable to Sunnic and Full Gain (note 2) amounted to approximately HK$98.5 million. Sunnic and Full Gain, collectively, worked on 20 projects in the year ended 31 March 2011 since they have been acquired by our Group. The significant increase in staff costs from approximately HK$5.6 million in the year ended 31 March 2010 to approximately HK$28.0 million in the year ended 31 March 2011, was attributable to the acquisition of Sunnic and Full Gain. As at 31 March 2011, Sunley had a total of 54 direct workers, while Sunnic and Full Gain had a total of 75 direct workers. The amount of depreciation also increased from approximately HK$8.2 million in the year ended 31 March 2010 to approximately HK$20.1 million in the year ended 31 March 2011. The depreciation expense arising from machinery of Sunnic and Full Gain in the year ended 31 March 2011 amounted to approximately HK$6.7 million. The depreciation expense arising from Sunley's machinery also increased to approximately HK$13.4 million in the year ended 31 March 2011 due to the acquisition of machines by Sunley during the year.

Note 2: During the year ended 31 March 2011, Sunley subcontracted a project to Sunnic and Sunnic subcontracted certain projects to Sunley. In the meantime, Sunnic also subcontracted certain projects to Full Gain. After the acquisition of Sunnic and Full Gain by our Group, cost of sales is recorded in all subsidiaries that have taken part in carrying out a particular project. Such double-counting of cost of sales is eliminated in our Group's combined financial statements. For the purpose of the above disclosure of cost of sales attributable to respective subsidiaries, it is assumed that the portion of cost associated with the work was incurred by the subsidiary that has actually performed the construction work, rather than the subsidiary that subcontracted the work to another subsidiary.

Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin by nature of service:

	Year ended 31 March	
	2010	**2011**
Gross profit ***(HK$'000)***		
Attributed to:		
— TRP Projects	12,632	52,702
— Second Project	—	17,641
— Rental income on machinery	6,158	502
	18,790	70,845
Gross profit margin		
Attributed to TRP Projects *(note)*	28.0%	21.0%
Attributed to TRP Projects and rental income on machinery *(note)*	36.6%	21.2%
Overall	36.6%	27.5%

Note: In the gross profit margin analysis throughout this prospectus, it is assumed that depreciation expenses for machinery were attributed to TRP Projects, even though certain machines were leased to customers and rental income on machinery was generated.

Our Group's total gross profit jumped by 277.0% from approximately HK$18.8 million in the year ended 31 March 2010 to approximately HK$70.8 million in the year ended 31 March 2011. The sharp increase is mainly attributable to (i) the increase in construction activities of Sunley and the acquisition of Sunnic and Full Gain during the year ended 31 March 2011 leading to the increase in gross profit in respect of TRP Projects by approximately HK$40.0 million; (ii) the gross profit of approximately HK$17.6 million arising from the recording of additional revenue and reversal of the provision for claims previously recognised in the cost of sales in respect of the Second Project; and (iii) the drop in rental income on machinery from approximately HK$6.2 million in the year ended 31 March 2010 to approximately HK$0.5 million in the year ended 31 March 2011.

Our Group's gross profit margin has dropped from 36.6% in the year ended 31 March 2010 to 27.5% in the year ended 31 March 2011. Our Group's gross profit margin attributed to TRP Projects dropped from 28.0% in the year ended 31 March 2010 to 21.0% in the year ended 31 March 2011, mainly due to the acquisition of Sunnic and Full Gain during the year ended 31 March 2011. For the revenue contributed by Sunnic and Full Gain to our Group since their acquisition during the year ended 31 March 2011, the respective gross profit margin attributed to Sunnic and Full Gain was 14.0% (note 3), which was lower than the gross profit margin attributed to from TRP Projects of Sunley of 27.2% (note 3). There was no material change in the gross profit margin attributed to TRP Projects of Sunley which approximated to 28.0% in the year ended 31 March 2010. The gross profit margin attributed to TRP Projects and rental income on machinery dropped from 36.6% for the year ended 31 March 2010 to 21.2% for the year ended 31 March 2011 because of the acquisition of Sunnic and Full Gain during the year ended 31 March 2011.

Note 3: During the year ended 31 March 2011, Sunley subcontracted a project to Sunnic and Sunnic subcontracted certain projects to Sunley. In the meantime, Sunnic also subcontracted certain projects to Full Gain. After the acquisition of Sunnic and Full Gain by our Group, revenue and cost of sales are recorded in all subsidiaries that have carried out a project. Such double-counting of revenue and cost of sales is eliminated in our Group's combined financial statements. For the purpose of the above disclosure of revenue and cost of sales attributable to respective subsidiaries, it is assumed that the portion of revenue and cost associated with the work was earned and incurred by the subsidiary that has actually performed the construction work, rather than the subsidiary that subcontracted the work to another subsidiary.

The gross profit margin of individual projects vary from one project to another, and is affected by numerous factors including, inter alia, market condition, technical complexities, project timeframe and foundation method. Different foundation methods affect construction cost differently. The cost features of various foundation works and ancillary services are set out in the sub-section "Description of Business" in the section headed "Business" of this prospectus. As compared with other piling systems, bored piles are generally marked by relatively higher fixed plant cost. Sunley is specialised in bored-piles foundation works while Sunnic and Full Gain are specialised in other piling system such as percussive piles and socketed H-piles. As compared with percussive piles and socketed H-piles, bored piling is relatively more capital intensive. Bored piling makes use of large-scaled machines such as oscillators and reverse circulation drills, and bears a high fixed cost on machinery if the machines are under-utilised. Yet the average cost on machinery is reduced if the machines are well-utilised. In the tender bidding process of bored piling works, Sunley generally set the bidding price a target gross profit ratio of not lower than 30% (before any machinery depreciation expense), generally higher than that of other piling systems with a view to recovering the high plant cost. From the experience of our Group, our Directors observed that projects for bored piles completed by our Group during the Track Record Period in general had a higher gross profit margin before machinery depreciation expense on average than that of projects for other piling systems. Our Directors thus believe that gross profit margin for projects for bored piles would in general be higher if the machines for bored-piles are well-utilised.

Our Directors believe that, as Sunley experienced an increase in construction activity in the year ended 31 March 2011, the machines for bored-piles were well-utilised during the year, thus achieved a lower average cost on machinery and a higher gross profit margin than Sunnic and Full Gain. Our Directors confirm that Sunley's major machines for bored piles, namely crawler crane, oscillator and reverse circulation drill did not stay idle in our warehouse for more than one month in the year ended 31 March 2011. On this basis, our Directors confirm that the machines for bored-piles were generally well-utilised in the year ended 31 March 2011.

We either directly purchase our machines or acquire them by way of finance leases. All the machines acquired under finance leases were accounted for as our Group's assets at cost as if it was purchased by our Group. Hence, the method of acquisition of a machine does not affect the amount of its depreciation charge and the gross profit margin of our Group.

The overall gross profit margin of our Group was also affected by the Second Project. With the recording of revenue of approximately HK$6.4 million and the reversal of provision for claims of approximately HK$11.2 million in respect of the Second Project in the year ended 31 March 2011, a gross profit for the Second Project of approximately HK$17.6 million was recorded in the year ended 31 March 2011.

Furthermore, the drop in rental income on machinery also contributed to the drop in gross profit margin as there is no direct cost for the rental income other than depreciation.

Other income and net gain

Our Group's other income and net gains in the year ended 31 March 2011 amounted to approximately HK$4.1 million and included mainly net gain on disposal of fixed assets of approximately HK$3.3 million. More crawler cranes were disposed of during the year ended 31 March 2011, leading to the increase in net gain on disposal of fixed asset. Our Directors believe that some of those disposed fixed assets had low efficiencies and were not suitable to future development of our Group.

Administrative expenses

The amounts of administrative expenses increased from approximately HK$6.2 million in the year ended 31 March 2010 to approximately HK$31.5 million in the year ended 31 March 2011 mainly due to (i) the increase in legal expenses from approximately HK$1.1 million to HK$11.6 million for the Second Project, and (ii) the increase in amounts of other items of administrative expenses mostly because of the acquisition of Sunnic and Full Gain during the year ended 31 March 2011. In particular, our Group's staff costs for Directors, senior management and administrative staff increased more than threefold from approximately HK$2.4 million in the year ended 31 March 2010 to approximately HK$10.7 million in the year ended 31 March 2011, as our Group's number of senior management and administrative staff grew from 11 as at 31 March 2010 to 29 as at 31 March 2011. Our Group's operating lease rental on land and buildings also increased twofold from approximately HK$0.6 million in the year ended 31 March 2010 to approximately HK$1.8 million in the year ended 31 March 2011. During the year ended 31 March 2010, our Group leased two properties, one as an office unit and one as a warehouse for its machinery. With the acquisition of Sunnic and Full Gain, our Group had a total of four leased properties, two as office units and two as warehouses, as at 31 March 2011. Transportation expense increased by more than twofold to approximately HK$1.6 million in the year ended 31 March 2011 mainly due to the acquisition of Sunnic and Full Gain during the year. During the year, Sunnic and Full Gain incurred transportation expense of approximately HK$1.0 million. Sunnic and Full Gain generally incurred more transportation expense than Sunley as Sunnic and Full Gain worked on more number of projects and thus transportation of machines was generally more frequent. In the year ended 31 March 2011, Sunnic and Full Gain worked on 20 projects, whereas Sunley worked on nine projects only. In the year ended 31 March 2011 Sunnic incurred entertainment expense of approximately HK$314,000 as it had more number of customers than Sunley, leading to the considerable increase in overall entertainment expense of our Group. Repair and maintenance expense increased from approximately HK$25,000 for the year ended 31 March 2010 to HK$0.9 million for the year ended 31 March 2011 mainly due to the acquisition of Sunnic and Full Gain during the year, which incurred a considerable amount of repair and maintenance expense on machinery in warehouse.

Finance costs

Finance costs for each of the years ended 31 March 2010 and 2011 represented interest on bank borrowings and finance lease liabilities. The amounts of interest on bank borrowings and finance lease liabilities increased from approximately HK$52,000 for the year ended 31 March 2010 to approximately HK$426,000 for the year ended 31 March 2011. Part of our investments in machinery were financed by bank borrowings and financial leases, and the net book amount of machinery held under finance leases as at 31 March 2010 and 2011 was approximately HK$22.8 million and HK$88.5 million respectively. The carrying amount of finance lease liabilities thus grew from approximately HK$18.4 million as at 31

March 2010 to approximately HK$77.5 million as at 31 March 2011, and the carrying amount of our bank borrowings amounted to approximately HK$14.3 million as at 31 March 2011, thus the interest on bank borrowings and finance lease liabilities increased sharply during the same periods. Our Group had no bank borrowing as at 31 March 2010.

Income tax

The effective tax rates for each of the years ended 31 March 2010 and 2011 were both approximately 17.8%. There was no material change in the effective tax rate during the periods.

Profit for the year

Our Group's profit for the year improved significantly for the year ended 31 March 2011, increasing from approximately HK$10.8 million for the year ended 31 March 2010 to approximately HK$35.4 million for the year ended 31 March 2011. The significant improvement was mainly due to the increase in gross profit from approximately HK$18.8 million for the year ended 31 March 2010 to approximately HK$70.8 million for the year ended 31 March 2011, offset by the increase in administrative expenses from approximately HK$6.2 million for the year ended 31 March 2010 to approximately HK$31.5 million for the year ended 31 March 2011.

LIQUIDITY AND CAPITAL RESOURCES

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

Cash flows

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

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Net cash generated from operating activities	11,599	26,975	37,013
Net cash used in investing activities	(32,905)	(57,230)	(42,525)
Net cash generated from financing activities	18,356	73,088	7,461
Net (decrease)/increase in cash and cash equivalents	(2,950)	42,833	1,949
Cash and cash equivalents at 1 April	4,777	1,827	44,660
Cash and cash equivalents at 31 March	1,827	44,660	46,609

As our Group acquired Sunnic, Full Gain and Super Ease and our Group disposed of Super Ease during the year ended 31 March 2011, our Group's cash flows for the year ended 31 March 2011 include the cash flows of these subsidiaries during the period since they were controlled by our Group.

Net cash generated from operating activities

Our net cash flow generated from operating activities reflects our profit before income tax, as adjusted for non-cash items, such as depreciation and the effects of changes in working capital.

For the year ended 31 March 2012, we had net cash from operating activities of approximately HK$37.0 million, primarily as a result of profit before income tax of approximately HK$31.9 million, adjusted for depreciation of approximately HK$28.1 million and the increase in trade and other receivables by approximately HK$10.5 million. The balance of trade and other receivables increased as several Major Projects were in progress as at 31 March 2012 or had been completed shortly before 31 March 2012, resulting in a significant unpaid trade receivable balance as at 31 March 2012.

For the year ended 31 March 2011, we had net cash from operating activities of approximately HK$27.0 million, primarily as a result of profit before income tax of approximately HK$43.0 million, adjusted for depreciation of approximately HK$21.1 million, decrease in trade and other receivables of approximately HK$10.8 million, decrease in balances with shareholders of approximately HK$22.7 million and decrease in trade and other payables (including provision for claims) of approximately HK$27.8 million. The balances of both trade and other receivables, and trade and other payables (including provision for claims) decreased as Sunnic had less projects in-progress as at 8 June 2010 (date of acquisition of Sunnic by our Group) than that as at 31 March 2011. Sunnic had 10 projects in-progress as at 8 June 2010, while it only had four projects in-progress as at 31 March 2011, resulting in reduction of trade and other receivables, and trade and other payables (including provision for claims) as at 31 March 2011 compared to that as at 8 June 2010. The balances with shareholders decreased as our Group repaid the amount due to shareholders brought forward from our Group as at 31 March 2010 and Sunnic as at 8 June 2010.

For the year ended 31 March 2010, we had net cash from operating activities of approximately HK$11.6 million, primarily as a result of profit before income tax of approximately HK$13.2 million, adjusted for depreciation of approximately HK$8.5 million, increase in trade and other receivables of approximately HK$13.7 million, net payment from a shareholder and Director, Mr. Leung, of approximately HK$20.0 million and decrease in trade and other payables (including provision for claims) of approximately HK$11.3 million. Our trade and other receivables increased during the year ended 31 March 2010 because the amount of trade receivables was exceptionally low as at 31 March 2009 as the Tai Kok Tsui project, our Group's major project in the year ended 31 March 2009, has been completed in December 2008 and much of the contract sum has been received by 31 March 2009. Mr. Leung, a shareholder and Director, made a net payment of approximately HK$20.0 million to our Group as our working capital during the year. Our trade and other payables (including provision for claims) dropped significantly because, as at 31 March 2009, we had a significant amount of accruals for purchase of machines of HK$15.3 million representing the amount of machines acquired by our Group which have not been billed to us by 31 March 2009 but have been subsequently paid by us during the year ended 31 March 2010.

Net cash used in investing activities

For the year ended 31 March 2012, we had net cash used in investing activities of approximately HK$42.5 million, representing the amounts of property, plant and equipment, mainly machinery, purchased by our Group of approximately HK$42.6 million.

For the year ended 31 March 2011, we had net cash used in investing activities of approximately HK$57.2 million, representing the amounts of property, plant and equipment, mainly machinery, purchased by our Group of approximately HK$76.7 million, the net cash outflow arising from acquisition of subsidiaries of approximately HK$0.3 million, offset by proceeds from disposal of old property, plant and equipment of approximately HK$19.8 million.

For the year ended 31 March 2010, we had net cash used in investing activities of approximately HK$32.9 million, representing the amounts of property, plant and equipment, mainly machinery, purchased by our Group of approximately HK$36.6 million, offset by proceeds from disposal of old property, plant and equipment of approximately HK$3.7 million.

Net cash generated from financing activities

For the year ended 31 March 2012, we had net cash generated from financing activities of approximately HK$7.5 million, which mainly represented the inception of finance lease of approximately HK$37.0 million, offset by the repayment of finance lease of approximately HK$16.5 million, repayment of bank borrowing of approximately HK$3.7 million and payment of dividend of HK$9.3 million. During this year, our Group continued to finance our Group's investment in fixed assets by finance leases and make repayment of finance lease and bank borrowings according to the respective payment schedules.

For the year ended 31 March 2011, we had net cash generated from financing activities of approximately HK$73.1 million, which mainly represented inception of finance lease of approximately HK$80.0 million and drawdown of bank borrowings of approximately HK$14.5 million, offset by repayment of finance lease of approximately HK$20.8 million and repayment of bank borrowings of approximately HK$0.6 million in the year. During this year, our Group financed the majority of our Group's continuous investment in fixed assets by finance leases and bank borrowings.

For the year ended 31 March 2010, we had net cash generated from financing activities of approximately HK$18.4 million, which mainly represented the inception of finance lease of approximately HK$20.0 million. During this year, our Group financed the majority of our Group's continuous investment in fixed assets by finance leases.

ANALYSIS OF VARIOUS ITEMS FROM THE STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Net book value	Land and buildings	Machinery	Office equipment	Motor vehicles	Furniture and fixtures	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2010	—	83,125	800	21	—	83,946
At 31 March 2011	—	155,765	511	1,705	—	157,981
At 31 March 2012	—	170,903	219	1,305	—	172,427

Our Group's property, plant and equipment mostly consist of machinery. Most of our works require the use of machinery, such as crawler crane, oscillator and reverse circulation drill, etc. The carrying amount of our Group's machinery increased from approximately HK$83.1 million as at 31 March 2010 to HK$155.8 million as at 31 March 2011 and HK$170.9 million as at 31 March 2012. Our Group invested continuously in machinery during the Track Record Period. For each of the years ended 31 March 2010, 2011 and 2012, our Group acquired additional machines, such as crawler crane and oscillator, at the cost of approximately HK$36.6 million, HK$75.8 million and HK$42.3 million respectively. In the acquisition of Sunnic and Full Gain during the year ended 31 March 2011, our Group also acquired additional machinery at a fair value of approximately HK$33.4 million.

Goodwill

The goodwill as at 31 March 2011 and 2012 of approximately HK$13.0 million arose from the acquisition of Sunnic and Full Gain during the year ended 31 March 2011. The amounts of goodwill were arrived at the excess of cost acquisition of Sunnic and Full Gain over the fair value of our Group's share of the net identifiable assets of Sunnic and Full Gain at the dates of acquisition. Goodwill is tested annually for impairment. The goodwill was tested for impairment on 31 March 2011 and 2012 and no impairment to goodwill was made.

Trade and other receivables

Our Group's trade and other receivables mainly consist of contract receivables and retention receivables. We normally receive progress payment from customers on a monthly basis and occasionally on a milestone basis with reference to the value of works done. A progress certificate certifying the works progress is issued by authorised persons (such as the architects or quantity surveyors employed by the customers). Upon issuance of such certificates which normally takes about 21 to 30 days, the progress revenue is billed to customers and then become payable by customers, and the progress revenue is accounted for as contract receivables. Generally, payment from customers is due 14–30 days after the issue of the progress certificate. The retention receivables represent the retention money held up by our customers for construction projects. The retention money for each project ranges from 1% to 5% of the total contract sum. Generally, in private contracts, the first half of the retention money is released upon the issue of certificate of completion of the project and the second half of the retention money is released to us upon the issue of certificate of completion of making good defect after the expiry of the guaranteed maintenance period. The following table sets out the breakdown of trade and other receivables as at each reporting date:

	As at 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Contract receivables	14,578	45,908	59,398
Retention receivables	1,016	22,334	19,452
Total trade receivables	15,594	68,242	78,850
Other receivables, deposits and prepayments	3,123	9,266	9,184
	18,717	77,508	88,034

The total trade receivables increased from approximately HK$15.6 million as at 31 March 2010 to approximately HK$68.2 million as at 31 March 2011 and increased further to approximately HK$78.9 million as at 31 March 2012. The total trade receivables soared significantly from approximately HK$15.6 million as at 31 March 2010 to HK$68.2 million as at 31 March 2011 mainly due to the acquisition of Sunnic and Full Gain by our Group during the year ended 31 March 2011 as well as the increase in both contract receivables and retention receivables of Sunley during the year. The contract receivables of Sunley (before any consolidation adjustment) increased from approximately HK$14.6 million as at 31 March 2010 to approximately HK$33.3 million as at 31 March 2011, and the retention receivables of Sunley (before any consolidation adjustment) surged from approximately HK$1.0 million as at 31 March 2010 to approximately HK$10.2 million as at 31 March 2011. Much of the contract receivables and retention receivables of Sunley as at 31 March 2011 was attributed to Fung Yuen project, one of our Group's Major Projects in the Track Record Period. Contract receivables and retention receivables for the Fung Yuen project amounted to approximately HK$17.2 million and HK$7.2 million respectively as at 31 March 2011. The Fung Yuen project lasted from September 2010 to November 2011, and gave rise to significant contract receivable and retention receivable balances due to its substantial contract sum. The Fung Yuen project was our Group's largest project in the year ended 31 March 2011 and contributed 27.8% of the total revenue of our Group in the year.

The trade receivables rose further to approximately HK$78.9 million as at 31 March 2012, of which the contract receivables rose to approximately HK$59.4 million. Much of the contract receivables as at 31 March 2012 was attributed to the Tsun Yip Street project, the Bonham Strand project, the Lan Kwai Fong project and the Caritas Medical Centre project. These projects were in progress as at 31 March 2012 or had just been completed shortly before 31 March 2012. The contract receivables in relation to these projects amounted to approximately HK$28.0 million as at 31 March 2012, leading to the increase in overall trade receivable balance.

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

	Year ended 31 March		
	2010	**2011**	**2012**
Trade receivable turnover day	71.3 days	59.4 days	85.7 days

The trade receivable turnover days dropped from 71.3 days for the year ended 31 March 2010 to 59.4 days for the year ended 31 March 2011. Sunnic and Full Gain was acquired by our Group on 8 June 2010 and 15 July 2010 respectively, and thus revenue of Sunnic for more than nine months and the revenue of Full Gain for more than eight months for the year ended 31 March 2011 were recognised by our Group. With the inclusion of proportionately longer period of revenue amount of Sunnic and Full Gain recognised by our Group and lower average trade receivable balance (due to lower beginning trade receivable balance before acquisition of Sunnic and Full Gain), the average of trade receivables as at 31 March 2010 and 2011 increased proportionately less and thus the trade receivable turnover day dropped to 59.4 days for the year ended 31 March 2011.

The trade receivable turnover days rebounded from 59.4 days for the year ended 31 March 2011 to 85.7 days for the year ended 31 March 2012. As explained in the above paragraph, the average of trade receivables as at 31 March 2010 and 2011 increased proportionately less than the amount of revenue of Sunnic and Full Gain as consolidated in our Group's total revenue for the year ended 31 March 2011 and thus the trade receivable turnover day for that year was lower than usual.

Our trade receivable turnover day during the Track Record Period was relatively high in general as the calculation of trade receivable turnover days includes retention receivable such that the trade receivable turnover day should naturally be higher than the normal credit period. Secondly, although payment is due 14–30 days after the issue of the progress certificate, there is generally a period of time for the architect or surveyor of the employer or main contractor to calculate the work done of the construction project at cut-off date before issuing the progress certificate. The amount of additional time involved depends on the complexity of the project and the practice of the employer/main contractor. Because of the additional time involved before the outstanding balances are settled, the trade receivable turnover day is significantly longer than the credit period. Our Group recognises construction contracts income and the relevant trade receivable based on stage of completion of the contracts, with reference to the construction works certified by an independent surveyor. For details of our Group's accounting policies on revenue recognition, please refer to Note 2(y) of the Accountant's Report set out in Appendix I to this prospectus.

All contract receivables as at 31 March 2012 were subsequently settled up to 31 July 2012, while 81.2% of the balance of trade receivables as at 31 March 2012 was subsequently settled up to 31 July 2012.

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

	As at 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
0–30 days	13,578	44,440	58,706
31–60 days	—	662	353
61–90 days	—	—	—
Over 90 days	1,000	806	339
	14,578	45,908	59,398

Rentention receivables were not yet past due as at 31 March 2010, 2011 and 2012 and are thus excluded in the above aging analysis.

The majority of our Group's contract receivables ages between 0–30 days. All overdue trade receivables as at 31 March 2010, 2011 and 2012 have been subsequently settled. Our Group did not incur any bad debt expense during the Track Record Period.

Our other receivables, deposits and prepayments mainly represent trade-related prepayments and deposits, utility deposits and prepayments of listing expenses. The balance of other receivables, deposits and prepayments increased significantly from approximately HK$3.1 million as at 31 March 2010 to approximately HK$9.3 million as at 31 March 2011, which was primarily due to the payment of approximately HK$2.4 million for prepayments of listing expenses during the year ended 31 March 2011 and the other receivables, deposits and prepayments arising from the business and operation of Sunnic and Full Gain.

Amounts due from customers for contract work

Revenue from contract work is recognised 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. It normally takes 21 to 30 days for the progress certificates to be issued and thus, the following amounts due from customers for contract work mainly represent the value of work 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:

	As at 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from customers for contract work	3,319	3,856	2,762

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

Trade and other payables, including provision for claims

Trade payables principally comprise payables to the suppliers of materials and the subcontractors of our Group. The provision of claims represents the net amount provided for the customer of the Second Project. Accruals for construction costs mainly represent accrued subcontracting charges and construction materials costs. Other accruals mainly represent accruals for purchase of machines and the net accrued amounts due to the customer for the Second Project. The following table sets out a breakdown of our trade and other payables (including provision for claims) as at each reporting date:

	As at 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	2,056	12,508	25,499
Provision for claims	5,513	—	—
Accruals for construction costs	1,209	6,965	1,372
Other accruals	6,567	14,856	2,013
	15,345	34,329	28,884

The balance of trade payables increased sharply from approximately HK$2.1 million as at 31 March 2010 to approximately HK$12.5 million as at 31 March 2011, and further to approximately HK$25.5 million as at 31 March 2012. The balance of trade payables increased to approximately HK$12.5 million as at 31 March 2011 mainly because of the growth of construction activities of our Group and the acquisition of Sunnic and Full Gain during the year ended 31 March 2011. The trade payables has doubled and reached approximately HK$25.5 million as at 31 March 2012 mainly because of (i) the increase in construction materials cost and subcontracting charges by 14.8% for the year as compared with the previous year; and (ii) the drop in accruals for construction costs due to the improvement in job progress estimation for the year. With the improvement in job progress estimation, our construction materials costs and subcontracting charges are billed on a more timely basis and thus our trade payables increased. The following table sets out the turnover day of trade payables (calculated as the average of beginning and ending trade payables balances for the period, divided by cost of sales (including only construction materials costs and subcontracting charges) for the period, multiplied by the number of days in the period) for the period indicated:

	Year ended 31 March		
	2010	**2011**	**2012**
Trade payable turnover day	50.9 days	17.7 days	40.3 days

The trade payable turnover day dropped significantly from 50.9 days in the year ended 31 March 2010 to 17.7 days in the year ended 31 March 2011. Sunnic and Full Gain was acquired by our Group on 8 June 2010 and 15 July 2010 respectively, and thus cost of sales of Sunnic for more than nine months and cost of sales of Full Gain for more than eight months in the year ended 31 March 2011 were recognised by our Group. With the inclusion of proportionately longer period of cost of sales of Sunnic and Full Gain by our Group and lower average trade payable balance (due to lower beginning trade payable balance before acquisition of Sunnic and Full Gain), the average of trade payables as at 31 March 2010 and 2011 increased proportionately less and thus the trade payable turnover day dropped to an exceptionally low level of 17.7 days in the year ended 31 March 2011. Furthermore, our Group did not have substantial subcontracting for projects carried out in the year ended 31 March 2010, leading to the exceptionally low subcontracting charges and thus high trade payable turnover day recorded in the year ended 31 March 2010. The trade payable turnover day returned to a normal level of approximately 40.3 days in the year ended 31 March 2012, and is within the range of credit terms granted by our suppliers and subcontractors.

Our suppliers of construction materials normally grant credit period of 14 to 60 days to us, while credit terms granted by subcontractors normally range from 14–30 days after issuance of progress certificate. Some subcontractors do not grant any credit term and the sum is due immediately upon issuance of progress certificate. The subsequent settlement of the Company's trade payables as at 31 March 2012 was 94.6% up to 31 July 2012.

The amount of provision for claims mainly represents the provision for claims of approximately HK$11.2 million in relation to the Second Project made in the year ended 31 March 2009 offset by the contract sum due from and withheld by the same customer of approximately HK$5.5 million. The provision for claims of approximately HK$11.2 million in relation to the Second Project was made in the year ended 31 March 2009 and reversed in the year ended 31 March 2011. The contract sum due from and withheld by the same customer of approximately HK$5.5 million was settled and received also during the year ended 31 March 2011.

The amount of accruals for construction costs increased from approximately HK$1.2 million as at 31 March 2010 to approximately HK$7.0 million as at 31 March 2011 mainly due to (i) the acquisition of Sunnic and Full Gain during the year ended 31 March 2011; (ii) the sharp increase in the aggregate amount of construction materials costs and subcontracting charges from approximately HK$18.7 million in the year ended 31 March 2010 to approximately HK$149.9 million in the year ended 31 March 2011.

The amount of other accruals increased from approximately HK$6.6 million as at 31 March 2010 to approximately HK$14.9 million as at 31 March 2011. The sharp growth of other accruals in the year ended 31 March 2011 was mainly due to the significant amount of accruals for purchase of machines of approximately HK$10.6 million, which was mainly attributed to the substantial acquisition of machines of approximately HK$75.8 million for the year ended 31 March 2011. The amount of other accruals dropped to approximately HK$2.0 million as at 31 March 2012 as there was no purchase of major machine near the year end of the financial year.

Amount due from/to related companies and an ultimate holding company

As at 31 March 2011, our Group had an amount due from a related company, Sunnic Holdings, of approximately HK$59,000. The balance arose as our Group disposed of Super Ease to Sunnic Holdings at a consideration of HK$342,000 during the year ended 31 March 2011. The disposal was not settled by cash. Instead the amount due from Sunnic Holdings was offset by the amounts payable to Super Ease arising from office rental which our Group occupied.

It is our Directors' view that these related party transactions were conducted on normal commercial terms and in the ordinary and usual course of our Company's business. These balances has been fully settled as at 31 March 2012.

NET CURRENT ASSETS/(LIABILITIES)

The following table sets forth the breakdown of our Group's current assets and liabilities as at 31 March 2010, 2011 and 2012 and 31 July 2012:

	As at 31 March			As at 31 July
	2010	2011	2012	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Current assets				
Trade and other receivables	18,717	77,508	88,034	80,364
Amounts due from customers for contract work	3,319	3,856	2,762	11,720
Amount due from a related company	—	59	—	—
Tax recoverable	386	—	—	—
Cash and cash equivalents	1,827	44,660	46,609	25,562
	24,249	126,083	137,405	117,646
Current liabilities				
Trade and other payables, including provision for claims	15,345	34,329	28,884	20,656
Amount due to a shareholder	10,430	—	—	—
Borrowings	9,945	29,399	28,874	43,466
Tax payable	—	6,366	2,082	1,572
	35,720	70,094	59,840	65,694
Net current (liabilities)/assets	(11,471)	55,989	77,565	51,952

We had net current liabilities of approximately HK$11.5 million as at 31 March 2010. Our net current liabilities as at 31 March 2010 principally reflected trade and other payables (including provision for claims), an amount due to a shareholder and the current portion of finance lease liabilities. Our net current liabilities position as at 31 March 2010 was predominantly affected by the provision for claims recorded during the year ended 31 March 2009.

As at 31 March 2010, we had provision for claims of approximately HK$5.5 million. The amount of provision for claims mainly represented the gross provision for claims of approximately HK$11.2 million in relation to the Second Project made in the year ended 31 March 2009, offset by the contract sum due from and withheld by the same customer of approximately HK$5.5 million. The gross provision for claims of approximately HK$11.2 million in relation to the Second Project was made in the year ended 31 March 2009 and reversed in the year ended 31 March 2011, and thus had never been paid by our Group. Although the gross provision for claims of approximately HK$11.2 million was recorded in our Combined Statements of Financial Position as at 31 March 2010, there had not been any payment in respect of this gross provision for claims. Our Group in fact generated net cash from operating activities of approximately HK$11.6 million in the year ended 31 March 2010.

During the year ended 31 March 2010, we made substantial investments in machinery. We made purchase of machinery of approximately HK$36.6 million in each of the year ended 31 March 2010, utilising considerable amounts of working capital. In the year ended 31 March 2010 we had net cash used in investing activities of approximately HK$32.9 million. This has contributed to our net current liabilities position of approximately HK$11.5 million as at 31 March 2010. In the year ended 31 March 2010 our Group started to take finance leases to finance its investment in machinery.

In the years ended 31 March 2011 and 2012, our liquidity position improved as we continued to raise finance lease and bank borrowings. In the year ended 31 March 2011, we raised finance lease and bank borrowings of approximately HK$94.6 million to finance our investment in machinery which is non-current assets to match our portfolio of long-term assets and long-term debts. As at 31 March 2011 and 2012, our Group had net current assets of approximately HK$56.0 million and HK$77.6 million respectively. In the years ended 31 March 2011 and 2012, our Group maintained a continuous cash inflow from operating activities and had net cash generated from operating activities of approximately HK$27.0 million and HK$37.0 million respectively.

The net current assets as at 31 July 2012 decreased to approximately HK$52.0 million, mainly as a result of the declaration and payment of dividend by a member of our group of HK$20 million in May 2012.

WORKING CAPITAL

Our Directors confirm that taking into account the financial resources available to our Group, including the internally generated funds, the available bank facilities and the estimated net proceeds of the Share Offer, we are of the opinion that our Group has sufficient working capital for our present requirements, that is 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 respective financial position dates below.

		As at 31 March		As at 31 July
	2010	2011	2012	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Bank borrowings	—	14,334	10,563	13,881
Finance lease liabilities	9,945	15,065	18,311	29,585
	9,945	29,399	28,874	43,466
Non-current				
Finance lease liabilities	8,411	62,484	79,770	87,870
	18,356	91,883	108,644	131,336

As of 31 July 2012, the date of the indebtedness statement for this prospectus, our Group's indebtedness consisted of bank borrowings of approximately HK$13.9 million and finance lease liabilities of approximately HK$117.4 million. There are no material covenants relating to our Group's outstanding debts. As at 31 March 2010, 2011 and 2012, our Group had total borrowings (comprising bank borrowings and finance lease liabilities) of approximately HK$18.4 million, HK$91.9 million and HK$108.6 million respectively. The increase in total indebtedness over the Track Record Period was primarily due to our Group's financing needs for investment in machinery.

Our Group's primary objectives when managing capital (including indebtedness) are to safeguard our Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support our Group's stability and growth; to earn a margin commensurate with the level of business and market risks in our Group's operation and to maintain an optimal capital structure to reduce the cost of capital. Our Group monitors capital on the basis of the gearing ratio. Our Group's strategy, which was unchanged during the Track Record Period, was to maintain the gearing ratio to an acceptable level. Our Group had a gearing ratio of 33.4%, 61.7% and 65.7% as at 31 March 2010, 2011 and 2012 respectively. The gearing ratio is calculated based on the interest-bearing liabilities as at the respective year end divided by the total equity as at the respective year end. Our Group manages the indebtedness at an acceptable level to enable our Group to generate returns for shareholders.

In light of our net current liabilities position as at 31 March 2010, our Group has raised external financing through finance leases and bank borrowings, part of which are non-current in nature, to ease our needs for working capital and our long-term investment in fixed assets. With the increasing use of external financing in the years ended 31 March 2010, 2011 and 2012, our liquidity position improved with net current assets of approximately HK$56.0 million and HK$77.6 million as at 31 March 2011 and 2012 respectively.

In choosing between finance lease arrangements and other financing sources such as bank borrowings, our Group takes account of a basket of factors including interest cost, availability of funds, repayment schedule and security requirements among which interest cost is an important factor. During the Track Record Period, our Group took on more finance leases than bank borrowings in terms of monetary value, and the average interest cost of finance leases was lower than that of bank borrowings during the Track Record Period. In the year ended 31 March 2011, the average interest rates were 1.39% per annum and 1.59% per annum for our finance leases and bank borrowings respectively. In the year ended 31 March 2012, the average interest rates were 2.23% per annum and 2.44% per annum for our finance leases and bank borrowings respectively. Average interest rate was calculated as finance cost divided by the average month-end balances of finance lease liabilities or bank borrowings during the period.

Our Directors intend to apply part of the net proceeds from the Share Offer to repay some of our outstanding indebtedness. Assuming that the Offer Size Adjustment Option is not exercised at all and assuming an Offer Price of HK$0.89, being the mid-point of the proposed Offer Price range, our Group currently intends to apply approximately HK$5.1 million (equivalent to approximately 10% of the net proceeds) to repay bank borrowings and finance lease liabilities; and approximately HK$5.1 million (equivalent to approximately 10% of the net proceeds) for general working capital. Our Group's future plans and use of proceeds are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus.

Subsequent to 31 July 2012 and up to the Latest Practicable Date, our Group raised additional bank borrowings of approximately HK$2.8 million. Save for the above, our Group plans to raise additional borrowings of approximately HK$9.8 million for the year ending 31 March 2013 for the acquisition of pilling machinery and equipment.

As at 31 July 2012, the gross finance lease liabilities that fall due between the next one to five years amounted to approximately HK$125.8 million.

Our Directors have given personal guarantees in securing our banking facilities. These personal guarantees will be released on or before the Listing Date.

Finance leases

Our Group has certain finance lease arrangements with a bank for the purchase of certain machines, under which our Group purchased certain machines from suppliers, sold them to a bank and the bank leased back those machines to our Group as a lessee. The terms of these leases last for periods ranging from two years to five years. Since the terms of these leases transfer substantially all the risks and rewards of ownership of the machines to our Group as the lessee, these leases were classified as finance leases and the relevant machines were accounted for as our Group's assets under the category of property, plant and equipment. As at 31 March 2010, 2011 and 2012, the carrying amounts of finance lease liabilities amounted to approximately HK$18.4 million, HK$77.5 million and HK$98.1 million respectively. These finance leases carried interest rate at 1.5% to 3.5% per annum above HIBOR respectively. These finance leases were used to finance our Group's investment in machinery. As at 31 March 2010, 2011 and 2012, our Group had machinery held under finance leases with net book value of approximately HK$22.8 million, HK$88.5 million and HK$117.9 million respectively. As at 31 March 2012, our Group had gross finance lease liabilities of approximately HK$105.2 million. As at 31 March 2012, the gross finance lease liabilities that fall due between the next one to five years amounted to approximately HK$83.7 million. The amount of committed and available banking facilities for finance lease was approximately HK$25.6 million, HK$81.3 million and HK$127.0 million as at 31 March 2010, 2011 and 2012 respectively. The amount of unutilised banking facilities for finance lease was approximately HK$7.3 million, HK$3.8 million and HK$18.9 million as at 31 March 2010, 2011 and 2012 respectively.

As at 31 July 2012, the carrying amounts of finance lease liabilities amounted to approximately HK$117.4 million. These finance leases carried interest rate at 2%–3.5% per annum above HIBOR.

As at 31 July 2012, our Group had machinery held under finance leases with net book value of approximately HK$124.3 million. As at 31 July 2012, our Group had gross finance lease liabilities of approximately HK$125.8 million. The following table sets out the maturity profile of our finance lease liabilities:

	As at 31 March			As at 31 July
	2010	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Gross finance lease liabilities				
— minimum lease payments				
Within 1 year	10,175	16,331	21,527	33,571
Later than 1 year and no later than 5 years	8,482	64,972	83,696	92,190
	18,657	81,303	105,223	125,761
Future finance charges on finance leases	(301)	(3,754)	(7,142)	(8,306)
Present value of finance lease liabilities	18,356	77,549	98,081	117,455

At the close of business on 31 July 2012, the date of the indebtedness statement for this prospectus, the amount of committed and available banking for finance lease was approximately $141.8 million and the amount of unutilised banking facilities for finance lease was approximately HK$24.4 million.

Bank borrowings

The amount of committed and available banking facilities for bank borrowings was nil, approximately HK$14.4 million and HK$14.4 million as at 31 March 2010, 2011 and 2012 respectively. The amount of unutilised banking facilities for bank borrowings was nil for each of the year ended 31 March 2010, 2011 and 2012.

Our Group had bank borrowings of approximately HK$14.3 million and HK$10.6 million as at 31 March 2011 and 2012 respectively, which were principally used to finance our Group's investment in machinery. As at 31 March 2012, approximately HK$10.6 million of these bank borrowings were secured by some of our Group's machinery with net book value of approximately HK$13.5 million. These bank borrowings carried interest rate of 2%–2.5% per annum above HIBOR or current prime rate. Our Group did not have any bank borrowings as at 31 March 2010.

As at 31 July 2012, approximately HK$13.9 million of these bank borrowings were secured by some of our Group's machinery with net book value of approximately HK$8.1 million. These bank borrowings carried interest rate of 2%–3% per annum above HIBOR or current rate.

All bank borrowings are classified as current liabilities. According to the bank repayment schedule the bank borrowings would be repayable as follows:

	As at 31 March			As at 31 July
	2010	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	—	4,058	4,527	9,287
Between 1 and 2 years	—	4,199	4,225	3,382
Between 2 and 5 years	—	6,077	1,811	1,212
	—	14,334	10,563	13,881

At the close of business on 31 July 2012, the date of the indebtedness statement for this prospectus, the amount of committed and available banking facilities for bank borrowing was approximately HK$24.4 million and the amount of utilised and unutilised banking facilities for bank borrowing was approximately HK$13.9 million and HK$10.5 million respectively.

These banking facilities carried interest rate of 2.0%–3.5% above HIBOR or current prime rate.

Contingent liabilities

As at 31 March 2012, our Group had contingent liabilities of approximately HK$5.5 million, representing guarantees on performance bonds in respect of our construction contracts. In addition, as at 31 March 2012, our Group was involved in certain pending litigation cases, details of which are set out in Note 30(b) to the Accountant's Report as set out in Appendix I to this prospectus. Our Group has insurance cover for its liabilities of all these potential claims and outstanding claims as at the Latest Practicable Date.

As at 31 July 2012, our Group had contingent liabilities of approximately HK$14.5 million representing guarantees on performance bonds in respect of our construction contracts. In addition, as at 31 July 2012, other than those pending litigation cases as at 31 March 2012 disclosed in Note 30(b) to the Accountant's Report as set out in Appendix I to this prospectus, our Group was involved in three additional pending litigation cases, details of which are set out in Note 31 to the Accountant's Report as set out in Appendix I to this prospectus. Our Group has insurance cover for its liabilities of all these potential claims and outstanding claims as at the Latest Practicable Date.

Disclaimer

Save as aforesaid or as otherwise disclosed herein and apart from normal trade payables and accrued charges, our Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance lease liabilities or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at the close of business on 31 July 2012.

On 30 August 2012, two charges were laid by the Labour Department to our Group in relation to an accident which occurred on 5 March 2012 alleging our Group's failure to provide a safe environment to its workers working on site. No pleas have been taken for both summonses as at the Latest Practicable Date as our Group's first appearance at the Magistrates' Court will be held on 27 September 2012. Since our Group believes that it had, so far as reasonably practicable, provided safe environment to all its workers working on site, our Group will resist both charges. In the event our Group is unsuccessful and convicted, our Group may be subject to a fine at a maximum amount of HK$1,000,000. Our management considers that it is too early to make a reliable estimate of the amount of liability, if any, in connection with the two charges. In addition, our Controlling Shareholders have entered into a deed of indemnity with and in favour of our Group to provide indemnities in respect of all claims, payments, suits, damages, settlements payments and any associated costs and expenses which would be incurred or suffered by our Group as a result of these two proceedings.

Save as aforesaid or as otherwise disclosed herein, the Directors have confirmed that there has not been any material change in the indebtedness, capital commitment and contingent liabilities of our Group since 31 July 2012 up to the date of this prospectus.

CAPITAL COMMITMENT

At the close of business on 31 March 2012, our Group had capital commitments contracted but not provided for in respect of acquisition of machinery of approximately HK$20.1 million.

As at 31 July 2012, our Group had capital commitments contracted but not provided for in respect of acquisition of machinery of approximately HK$9.6 million.

CAPITAL EXPENDITURES

The following table sets out our Group's capital expenditures for the periods indicated. Our capital expenditures were funded out of the proceeds of bank borrowings, finance leases and cash generated from operations.

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Machinery	36,614	75,827	42,276
Motor vehicles	—	855	330
	36,614	76,682	42,606

Our Group plans to finance future capital expenditures primarily through the net proceeds of the Share Offer, bank borrowings as well as from cash flows generated from operations. As our Group continues to expand, we may incur additional capital expenditures. We expect that our future capital expenditures will be used primarily for purchases of machinery and equipment.

OTHER KEY FINANCIAL RATIOS

	As at/For the year ended 31 March		
	2010	**2011**	**2012**
Current ratio[1]	0.68 time	1.80 times	2.30 times
Gearing ratio[2]	33.4%	61.7%	65.7%
Debt to equity ratio[3]	30.1%	31.7%	37.5%
Interest coverage[4]	255 times	102 times	16.2 times
Return on assets[5]	10.0%	11.9%	8.0%
Return on equity[6]	19.7%	23.7%	15.6%
Net profit margin[7]	21.1% (22.9%)	13.7% (12.1%)	8.2%

Notes:

1 Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year end.

2 Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective year end.

3 Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the respective year end and multiplied by 100%.

4 Interest coverage is calculated by the profit before interest and tax divided by the interest for the respective year.

5 Return on assets is calculated by the total comprehensive income for the year divided by the total assets as at the respective year end and multiplied by 100.0%.

6 Return on equity is calculated by the total comprehensive income for the year divided by the total equity as at the respective year end and multiplied by 100.0%.

7 Net profit margin is calculated by the total comprehensive income divided by the revenue for the respective year and multiplied by 100.0%. The figures in the brackets represent the relevant net profit margin assuming the financial impact of the Second Project has been excluded.

Current ratio

Our Group had a low current ratio of 0.68 as at 31 March 2010, and our current ratio improved considerably to 1.80 as at 31 March 2011 and 2.30 as at 31 March 2012. Although our Group had net cash generated from operating activities of approximately HK$11.6 million for the year ended 31 March 2010, our Group also acquired fixed assets at the cost of approximately HK$36.6 million for our Group's long term investment. These fixed assets were partially financed by finance leases, and the rest by our Group's internal resources, thus bringing our current ratio to a low level of 0.68 as at 31 March 2010. One of our shareholders and Directors, Mr. Leung, supported our Group by injecting net cash of approximately HK$20.0 million for working capital in the form of an amount due to a shareholder during the year ended 31 March 2010. Besides, our Group had a provision for claims of approximately HK$11.2 million for the Second Project as at 31 March 2010, which has never been paid and subsequently reversed during the year ended 31 March 2011. Thus, with the support of one of our shareholders and the reversal of the above provision for the claims, our Directors believe that our Group was in a good liquidity position in the year ended 31 March 2010 in spite of the low current ratio.

During the year ended 31 March 2011, our Group disposed of some property, plant and equipment with proceeds of approximately HK$19.8 million. With the net cash generated from operating activities of approximately HK$27.0 million and the additional cash proceeds from the disposal, our Group's liquidity position improved significantly and the current ratio increased to 1.80 as at 31 March 2011.

During the year ended 31 March 2012, our Group generated net cash from operating activities of approximately HK$37.0 million, and used net cash of approximately HK$42.6 million in the purchase of property, plant and equipment in the same period. As a number of major construction projects were in progress as at 31 March 2012 or have just been completed shortly before 31 March 2012, our trade and other receivables increased by 13.6% to approximately HK$88.0 million as at 31 March 2012, leading to an increase in current assets and current ratio.

Gearing ratio

During each of the year ended 31 March 2010, 2011 and 2012, our Group acquired certain machines under finance leases and our finance lease liabilities increased. Our Group also had bank borrowings of approximately HK$14.3 million and HK$10.6 million as at 31 March 2011 and 2012 respectively, thus raising our Group's gearing ratio from 33.4% as at 31 March 2010 to 61.7% as at 31 March 2011. As our Group had new finance lease of approximately HK$37.0 million during the year ended 31 March 2012, our gearing ratio increased further to 65.7% as at 31 March 2012.

Debt to equity ratio

During the year ended 31 March 2010, our Group acquired certain machines under finance leases leading to an increase in finance lease liabilities, thus our Group had a debt to equity ratio of 30.1% as at 31 March 2010.

During the year ended 31 March 2011, our Group acquired certain machines under finance leases and further increased the finance lease liabilities of our Group. Our Group also had bank borrowings of approximately HK$14.3 million as at 31 March 2011, thus raising our Group's total borrowings from approximately HK$18.4 million as at 31 March 2010 to approximately HK$91.9 million as at 31 March 2011. The debt to equity ratio, however, only increased slightly from 30.1% as at 31 March 2010 to 31.7% as at 31 March 2011, due to the high cash level of approximately HK$44.7 million as at 31 March 2011. Our Group's equity also increased considerably from approximately HK$54.9 million as at 31 March 2010 to approximately HK$149.0 million as at 31 March 2011 due to the increase in capital reserve from the acquisition of Sunnic and Full Gain.

The borrowing level increased moderately by 18.2% for the year ended 31 March 2012 and the total borrowings as at 31 March 2012 was approximately HK$108.6 million. Our Group's equity also increased by 11.0% for the year ended 31 March 2012 by organic growth. As our Group's borrowing level increased proportionately more than its growth in equity, thus the debt to equity ratio increased further to 37.5% for the year ended 31 March 2012.

Interest coverage

In the year ended 31 March 2010, our Group started to finance its acquisition of machines by finance lease of sale and leaseback. Our Group only incurred interest expense of approximately HK$52,000 for the year ended 31 March 2010. The amount of interest expense was relatively insignificant compared to our Group's net profit and our Group's interest coverage was over 200 times for the year ended 31 March 2010.

During the year ended 31 March 2011, our Group continued to finance its acquisition of machines by finance lease of sale and leaseback and bank loans. Interest expense grew to approximately HK$0.4 million as at 31 March 2011. Due to the low-interest environment and the good profitability in the year ended 31 March 2011, the interest coverage stayed at a comfortable level of 102 times for the year ended 31 March 2011.

Our Group had total borrowings of approximately HK$91.9 million and HK$108.6 million as at 31 March 2011 and 31 March 2012. With this level of total borrowings, the interest expense incurred by our Group grew to approximately HK$2.1 million for the year ended 31 March 2012. Our Group's profit before interest and tax for the year ended 31 March 2012 was lower than that for the year ended 31 March 2011 due to (i) the decrease in gross profit margin of our Group from 27.5% for the year ended 31 March 2011 to 19.1% for the year ended 31 March 2012; and (ii) the additional other professional fees of approximately 5.0 million for our intended listing incurred for the year ended 31 March 2012. With the increase in interest expense and drop in profit before interest and tax, the interest coverage dropped to 16.2 times for the year ended 31 March 2012.

Return on assets

Our Group's return on assets improved during the year ended 31 March 2011 and increased from 10.0% in the year ended 31 March 2010 to 11.9% in the year ended 31 March 2011. This was mainly because one of our Group's subsidiaries, Sunley, experienced an increase in construction activities in the year ended 31 March 2011. Sunley's profitability improved as its construction activities, revenue and gross profit grew during the year ended 31 March 2011. According to the audited financial statements of Sunley, in the year ended 31 March 2011 it had a return on assets of 16.5%, which was higher than our Group's return on assets of 10.0% in the year ended 31 March 2010. Our Group's return on assets of 11.9% was lower than that of Sunley in the year ended 31 March 2011 due to the effect of the acquisition of Sunnic and Full Gain during the year.

Our Group's return on assets then dropped to approximately 8.0% for the year ended 31 March 2012, mainly because (i) the decrease in gross profit margin of our Group from 27.5% for the year ended 31 March 2011 to 19.1% for the year ended 31 March 2012; and (ii) the additional other professional fees of approximately 5.0 million for our Company's intended listing incurred for the year ended 31 March 2012. The gross profit decreased as (a) our Group did not record any additional income arising from prior year project for the year ended 31 March 2012; and (b) the gross profit margin attributed to the TRP Projects and rental income on machinery also dropped by a percentage point of 2.1 percentage point mainly due to increase in direct staff cost during the year.

Return on equity

Our Group's return on equity increased from 19.7% for the year ended 31 March 2010 to 23.7% for the year ended 31 March 2011. This was mainly because one of our Group's subsidiaries, Sunley, experienced an increase in construction activity in the year ended 31 March 2011. Its profitability improved as its construction activity, revenue and gross profit grew during the year ended 31 March 2011. According to the audited financial statements of Sunley, for the year ended 31 March 2011 it had a return on equity of 37.7%, which is higher than our Group's return on equity of 19.7% for the year ended 31 March 2010. Our Group's return on equity of 23.7% was lower than that of Sunley for the year ended 31 March 2011 due to the acquisition of Sunnic and Full Gain during the year.

Our Group's return on equity then dropped to approximately 15.6% for the year ended 31 March 2012, mainly because (i) the decrease in gross profit margin of our Group from 27.5% for the year ended 31 March 2011 to 19.1% for the year ended 31 March 2012; (ii) the additional other professional fees of approximately 5.0 million for our Company's intended listing incurred for the year ended 31 March 2012; and (iii) the increase in equity base due to our Group's retained earnings. The gross profit decreased as (a) our Group did not record any additional income arising from prior year projects for the year ended 31 March 2012; and (b) the gross profit margin attributed to the TRP Projects and rental income on machinery also dropped by 2.1 percentage point to 19.1% mainly due to increase in direct staff cost during the year.

Net profit margin

We had a high net profit margin of 21.1% for the year ended 31 March 2010 since we achieved a gross profit margin of 36.6% for the year and kept administrative expenses at a low level at approximately HK$6.2 million only.

The net profit margin for the year ended 31 March 2011 was 13.7%, which was lower than the net profit margin of 21.1% in the previous year. Our gross profit margin declined from 36.6% in the year ended 31 March 2010 to 27.5% for the year ended 31 March 2011, mainly due to the acquisition of Sunnic and Full Gain which had a lower gross profit margin than Sunley for that year partially compensated by the positive financial impact of the Second Project. The acquisition of Sunnic and Full Gain and the increase in construction activities of Sunley led to significant increase in administrative expense of our Group in the year. The decrease was also attributable to the drop in rental income on machinery from approximately HK$6.2 million for the year ended 31 March 2010 to approximately HK$0.5 million for the year ended 31 March 2011. Although our net profit margin dropped to 13.7% for the year ended 31 March 2011 or 12.1% if the financial impact of the Second Project was excluded, our Group recorded a net profit of HK$35.4 million, or HK$30.3 million if the financial impact of the Second Project was excluded, representing a significant improvement from the previous year. If the financial impact of the Second Project was excluded, the net profit margin would have dropped from approximately 22.9% for the year ended 31 March 2010 to approximately 12.1% for the year ended 31 March 2011, mainly because of the acquisition of Sunnic and Full Gain which had a lower gross profit margin than Sunley for the year ended 31 March 2011.

Our Group had a net profit margin of 8.2% in the year ended 31 March 2012, representing a decline from the year ended 31 March 2011, or net profit margin of 12.1% for the year ended 31 March 2011 if the financial impact of the Second Project was excluded. The net profit margin dropped because (i) the decrease in gross profit margin of our Group from 27.5% in the year ended 31 March 2011 to

19.1% in the year ended 31 March 2012; (ii) our Group did not record any additional income arising from prior year project in the year ended 31 March 2012; and (iii) the additional other professional fees of approximately 5.0 million for our Company's intended listing incurred in the year ended 31 March 2012. The gross profit decreased as (a) our Group did not record any additional income arising from prior year project in the year ended 31 March 2012; and (b) the gross profit margin attributed to the TRP Projects and rental income on machinery also dropped by 2.1 percentage point mainly due to increase in direct staff cost during the year.

DIVIDEND POLICY

In the year ended 31 March 2012, a member of our Group declared and paid dividends of HK$9.3 million representing approximately 36.0% of the year's net profit attributable to shareholders. In May 2012, a member of our Group declared and paid dividend of HK$20 million from its working capital to shareholders. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payments. No dividend was declared by members of our Group in the year ended 31 March 2010 and 2011.

The dividends were declared to reward the then shareholder's investments in our Group. Our Directors consider the level of distribution appropriate and in the best interests of our Group as a portion of the net profits from ordinary activities attributable to shareholders has also been retained to support our Group's expansion. Our Directors consider that it is beneficial to utilise a combination of retained profits and borrowings to finance our Group's working capital needs rather than to solely rely on retained profits for the following reasons:

(i) it maximises the return on equity;

(ii) it maintains the commercial relationship with banks; and

(iii) it rewards the shareholders for their investments in our Company and shareholders may be inclined to invest further in our Company.

Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us; and other factors the Board may deem relevant. There will be no assurance that the Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Interest rate risk

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

Our Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose our Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Our Group has not hedged its cash flow interest rate risks.

As at 31 March 2010, 2011 and 2012, if the interest rate on all borrowings had been 100 basis points higher/lower with all other variables held constant, our Group's profit after tax for the year would have been decreased/increased by approximately HK$184,000, HK$919,000 and HK$1,086,000 respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

Credit risk

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

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

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

As at 31 March 2010, 2011, 2012, there were 2 customers which individually contributed over 10% of the Group's trade and other receivables each year end date. The aggregate amount of trade and other receivables from these customers amounted to 20%, 47% and 76% of the Group's total trade and other receivables, respectively.

Liquidity risk

Our Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term. Our management believes there is no significant liquidity risk as our Group has sufficient committed facilities to fund their operations.

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

	Within one year	**Between one and two years**	**Between two and five years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2010				
Trade and other payables, including provision for claims	15,345	—	—	15,345
Amount due to a shareholder	10,430	—	—	10,430
Borrowings	10,175	8,482	—	18,657
	35,950	8,482	—	44,432
At 31 March 2011				
Trade and other payables, including provision for claims	34,329	—	—	34,329
Borrowings	31,518	8,180	56,792	96,490
	65,847	8,180	56,792	130,819
At 31 March 2012				
Trade and other payables, including provision for claims	28,884	—	—	28,884
Borrowings	32,455	25,982	57,715	116,152
	61,339	25,982	57,715	145,036

DISTRIBUTABLE AND STATUTORY RESERVE

As at 31 March 2012, our Company had no distributable reserves available for distribution to its Shareholders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis set out below is for illustrative purposes only, and is set out here to illustrate the effect of the Listing on the consolidated net tangible assets of our Group as at 31 March 2012 as if it had been taken place on 31 March 2012.

The unaudited pro forma adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of it hypothetical nature, it may not give a true picture of the financial position of our Group had the Listing been completed as at 31 March 2012 as at any future dates.

	Audited combined net tangible assets of our Group attributable to equity holders of our Company as at 31 March 2012	**Estimated net proceeds from the Share Offer(2)**	**Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company as at 31 March 2012(3)**	**Unaudited pro forma adjusted net tangible assets per Share(4)**
	HK'000	*HK$'000*	*HK$'000*	*HK$*
Based on an Offer Price of HK$0.83 per Share	152,429	51,272	203,701	0.68
Based on an Offer Price of HK$0.94 per Share	152,429	59,357	211,786	0.71

Notes:

(1) Our combined net tangible assets of our Group attributable to owners of the Company as at 31 March 2012 is extracted from the Accountant's Report of our Company as set out in Appendix I to this prospectus, which is based on the audited combined net assets of our Group attributable to equity holders of the Company as at 31 March 2012 of HK$165,451,000 with an adjustment for the intangible asset as at 31 March 2012 of HK$13,022,000.

(2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK$0.83 and HK$0.94 per Share, respectively, after deduction of estimated related fees and expenses and takes no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.

(3) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 March 2012, in particular, the unaudited pro forma adjusted net tangible asset value per Share has not been adjusted for the effect of a dividend of HK$20.0 million declared and paid by our Group subsequent to 31 March 2012. Had the dividend been taken into account, the unaudited pro forma adjusted net tangible asset value per Share would be reduced to HK$0.61 and HK$0.64 based on the Offer Price of HK$0.83 per Share and HK$0.94 per Share respectively.

(4) The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 300,000,000 Shares were in issue immediately following the completion of the Reorganisation, the Capitalisation Issue and the Share Offer but takes no account of any Shares which may be issued upon exercise of the Offer Size Adjustment Option or of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate to issue Shares and the general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus.

DISCLOSURE UNDER THE 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 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 31 March 2012 (being the date to which the latest audited combined financial statements of our Group were made up) up to the date of this prospectus.

PROPERTY INTERESTS

As at 31 March 2012, our property interests carried no commercial value. BMI Appraisals Limited, an independent property valuer, has valued interests of our properties as at 31 July 2012 at no commercial value. The full text of the letter, summary of valuation and valuation certificate with regard to such property interests are set out in Appendix III to this prospectus.