

LEAP Holdings Group Limited 前進控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1499



SHARE OFFER

Sponsor



TC CAPITAL
天財資本

Joint Bookrunners and Joint Lead Managers



TC CAPITAL
天財資本

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

LEAP Holdings Group Limited

前進控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	: 572,000,000 Shares (comprising 286,000,000 new Shares and 286,000,000 Sale Shares)
Number of Public Offer Shares	: 57,200,000 Shares (subject to reallocation)
Number of Placing Shares	: 514,800,000 Shares (subject to reallocation)
Maximum Offer Price	: HK\$0.28 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollar and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 1499

Sponsor



TC Capital Asia Limited

Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company (for ourselves and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Joint Bookrunners and the other Underwriters) on the Price Determination Date or such later date as may be agreed by our Company (for ourselves and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Joint Bookrunners and the other Underwriters) but in any event no later than Friday, 28 August 2015. The Offer Price will be not more than HK\$0.28 per Offer Share and is expected to be not less than HK\$0.22 per Offer Share, unless otherwise announced.

The Joint Lead Managers (for themselves and on behalf of the Joint Bookrunners and the other Underwriters) may, with our Company's consent, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in The Standard (in English) and Sing Tao Daily (in Chinese) not later than the morning of the last day for lodging applications under the Public Offer. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.leapholdings.hk. Further details are set out in the sections headed "Structure of the Share Offer" and "How to Apply for the Public Offer Shares" of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Joint Bookrunners and the other Underwriters) and our Company (for ourselves and on behalf of the Vendor) on or before Friday, 28 August 2015, the Share Offer will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the Application Forms, including the risk factors set out in the section headed "Risk Factors" of this prospectus.

The obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Joint Lead Managers (for themselves and on behalf of the Joint Bookrunners and the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination" of this prospectus.

21 August 2015

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, we will issue an announcement on the respective website of our Company at www.leapholdings.hk and the Stock Exchange at www.hkexnews.hk.

Application lists open⁽²⁾ 11:45 a.m. on
Wednesday, 26 August 2015

Latest time for lodging **WHITE** and **YELLOW**

Application Forms 12:00 noon on
Wednesday, 26 August 2015

Latest time for giving **electronic**

application instructions to HKSCC⁽⁴⁾ 12:00 noon on
Wednesday, 26 August 2015

Application lists close⁽²⁾ 12:00 noon on
Wednesday, 26 August 2015

Expected Price Determination Date⁽³⁾ Thursday, 27 August 2015

Announcement of the final Offer Price, the level of
indication of interest in the Placing, the level of
applications in the Public Offer and the basis of
allocation of the Public Offer Shares to be published

- (a) in The Standard (in English) and Sing Tao Daily (in Chinese);
- (b) on the website of our Company at www.leapholdings.hk⁽⁵⁾; and
- (c) on the website of the Stock Exchange at

www.hkexnews.hk on or before Tuesday, 1 September 2015

Results of allocations in the Public Offer (with
successful applicants' identification document or
business registration numbers, where appropriate)
to be available through a variety of channels as
described in the section headed "How to Apply for
the Public Offer Shares – 10. Publication of results"
of this prospectus including the website of our
Company at www.leapholdings.hk⁽⁵⁾ and the website of the
Stock Exchange at www.hkexnews.hk from Tuesday, 1 September 2015

Results of allocations in the Public Offer will be
available at www.unioniporesults.com.hk with a
"search by ID" function from Tuesday, 1 September 2015

Despatch of Share certificates or deposit of
the Share certificates into CCASS in respect of
wholly or partially successful applications
pursuant to the Public Offer on or before⁽⁶⁾⁽⁸⁾ Tuesday, 1 September 2015

EXPECTED TIMETABLE⁽¹⁾

Despatch of refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before⁽⁷⁾⁽⁸⁾ Tuesday, 1 September 2015

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on Wednesday, 2 September 2015

Notes:

1. All times and dates refer to Hong Kong local times and dates, unless otherwise stated.
2. If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 26 August 2015, the application lists will not open on that day. See “How to Apply for the Public Offer Shares – 9. Effect of bad weather on the opening of the application lists” of this prospectus.
3. The Price Determination Date is expected to be on or around Thursday, 27 August 2015 and, in any event, not later than Friday, 28 August 2015. If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Joint Bookrunners and the other Underwriters) and our Company (for ourselves and on behalf of the Vendor) by Friday, 28 August 2015, the Share Offer will not proceed and will lapse.
4. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the section headed “How to Apply for the Public Offer Shares – 5. Applying by giving electronic application instructions to HKSCC via CCASS” of this prospectus.
5. None of the website or any of the information contained on the website forms part of this prospectus.
6. Share certificates will only become valid at 8:00 a.m. on Wednesday, 2 September 2015 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination” of this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
7. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque, if any. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque, if any.
8. Applicants who apply on **WHITE** Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Company’s Hong Kong Share Registrar, Union Registrars Limited, from 9:00 a.m. to 1:00 p.m. on Tuesday, 1 September 2015 or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates /refund cheques. Applicants being individuals who opt for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which opt for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Company’s Hong Kong Share Registrar at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants’ stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

EXPECTED TIMETABLE⁽¹⁾

Applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Public Offer Shares – 13. Despatch/Collection of Share certificates and refund monies – personal collection – (iii) If you apply via electronic application instructions to HKSCC” of this prospectus for details.

Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications. Further information is set out in the sections headed “How to Apply for the Public Offer Shares – 12. Refund of application monies” and “How to Apply for the Public Offer Shares – 13. Despatch/Collection of Share certificates and refund monies” of this prospectus.

The above expected timetable is a summary only. You should read carefully the sections headed “Structure of the Share Offer” and “How to Apply for the Public Offer Shares” of this prospectus for details of the structure of the Share Offer, including the conditions of the Share Offer and the procedures for application for the Public Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company, solely in connection with the Share Offer and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offer of the Offer Shares or the distribution of this prospectus. The offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers or representatives or any other person or party involved in the Share Offer. Information contained in our Company's website, located at www.leapholdings.hk, does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OUR BUSINESS

We are principally engaged in the provision of (i) foundation works and ancillary services; and (ii) construction wastes handling at the public fill reception facilities managed by the Government in Hong Kong. We undertook primarily construction projects in the private sector in Hong Kong and were generally engaged as a subcontractor or sub-subcontractor.

The foundation works provided by our Group mainly included piling works, ELS works, construction of footings and pile caps, site formation works and ground investigation field works and ancillary services mainly included hoarding and demolition works. Revenue for foundation works and ancillary services is recognised based on the stage of completion of the contracts.

Our construction wastes handling services mainly included the management and operation of public fill reception facilities, including public fill banks and temporary construction waste sorting facilities, for C&D materials. Our fees were chargeable basically on (i) the period lapsed, which we provided daily routine operations, including site facilities, reporting and administrative services, surveying, provision of plants and equipment, safety and environmental management, etc.; and (ii) in accordance with our work done, which, by and large, referred to amount of construction wastes handled and other measured construction activities.

Our direct customers are primarily the main contractors of various types of property development or civil engineering projects in Hong Kong, whose owners are our ultimate customers. As subcontracting is a common practice in the construction industry in Hong Kong, we, as subcontractor or sub-subcontractor, secure our projects from main contractors or other subcontractors, respectively, in general, after a competitive bidding process, whereby we are invited to submit our quotation.

The following table sets out the number of project bids, number of successful project bids and our success rate during the Track Record Period:

Foundation works and ancillary services projects:

	For the year ended 31 March		
	2013	2014	2015
Number of project bids	56	67	70
Number of successful project bids	20	9	11
Success rate (%)	35.7	13.4	15.7

Note: For foundation works and ancillary services projects, we are sometimes invited by more than one potential customers to submit tender proposal for the same project. If this happens, the multiple bids submitted will be counted as one project bid.

SUMMARY

Construction wastes handling projects:

	For the year ended 31 March		
	2013	2014	2015
Number of project bids	–	1	1
Number of successful project bids	–	1	–
Success rate (%)	N/A	100.0	0.0

For each of the three years ended 31 March 2015, we completed 14, 18, and 9 projects (including foundation works and ancillary services projects and construction wastes handling projects), respectively. As at the Latest Practicable Date, we had 16 projects on hand (including projects in progress and projects which are yet to commence), 15 of which are foundation works and ancillary services projects expected to be completed by June 2016 at the latest, whose contract sums are within a range of HK\$0.6 million to HK\$85.0 million and are expected to contribute revenue of approximately HK\$336.8 million and HK\$32.1 million to our Group for the year ending 31 March 2016 and thereafter, respectively, based on expected stage of projects; whereas one of which is a construction wastes handling project to be completed by December 2016 with a contract sum of HK\$133.0 million and is expected to contribute revenue of approximately HK\$38.1 million and HK\$22.5 million to our Group for the year ending 31 March 2016 and thereafter, respectively.

During the Track Record Period, our revenue was approximately HK\$234,752,000, HK\$238,541,000 and HK\$305,313,000 for each of the three years ended 31 March 2015, respectively. Our foundation works and ancillary services contributed revenue of approximately HK\$173,739,000, HK\$170,070,000 and HK\$243,753,000, representing approximately 74.0%, 71.3% and 79.8% of our total revenue for each of the three years ended 31 March 2015, respectively; while construction wastes handling services from two projects contributed revenue of approximately HK\$61,013,000, HK\$68,471,000 and HK\$61,560,000, representing approximately 26.0%, 28.7% and 20.2% of our total revenue for each of the three years ended 31 March 2015, respectively. Most of our customers are located in Hong Kong and all of our service fees are denominated in Hong Kong dollars. Two construction wastes handling projects contributed revenue ranging from 20.2% to 28.7% of total revenue during the Track Record Period and were awarded to us by China Harbour – China State Joint Venture (a joint venture formed by China Harbour Engineering Company Limited and China State Construction Engineering (Hong Kong) Limited) and China Harbour Engineering Company Limited, which was our largest customer for each of the years ended 31 March 2013 and 2014 and the second largest customer for the year ended 31 March 2015, respectively, in terms of revenue contribution.

During the Track Record Period, some customers awarded more than one project to us. The number of direct customers with projects contributed to our turnover was 12, 14 and 10 for the three years ended 31 March 2013, 2014 and 2015, respectively.

One of our major customers, namely Goldfield N&W Construction, is an associate of Mr. Ng Hin Cheung, who was a director of Win Target, our subsidiary, from 28 February 2013 to 20 April 2015. Goldfield, which is also an associate of Mr. Ng Hin Cheung, owned 30% of the issued shares of Win Target from February 2013 to 31 March 2015. Goldfield N&W Construction is a construction contractor engaging in civil

SUMMARY

engineering and building construction activities in Hong Kong with about 26 years of history of business. We have over four years of business relationship with Goldfield N&W Construction. During and subsequent to the Track Record Period, our Group provided foundation works and ancillary services as a subcontractor of Goldfield N&W Construction and recognised revenue amounted to approximately HK\$23,311,000, HK\$51,092,000 and HK\$121,133,000 from Goldfield N&W Construction for the three years ended 31 March 2013, 2014 and 2015, respectively. Nevertheless, transactions between our Group and Goldfield N&W Construction would not constitute connected transaction of our Company under Chapter 14A of the Listing Rules. For details, please refer to the section headed “Business — Customers, sales and marketing — Transactions with Goldfield N&W Construction” of this prospectus.

For the three years ended 31 March 2013, 2014 and 2015, the percentage of our Group’s aggregate turnover attributable to our Group’s largest customer was approximately 26.0%, 24.1% and 39.7% for the corresponding periods, respectively, while the percentage of our Group’s total turnover attributable to our five largest customers in aggregate was approximately 82.6%, 74.2% and 86.8%, respectively.

Our suppliers primarily supply the following materials to us: (i) construction materials such as concrete, steel reinforcement bars and structural steel; and (ii) diesel fuel. We generally order construction materials and diesel fuel on a project-by-project basis and we did not enter into any long-term contract with our suppliers. The terms of our supply contracts include the type of materials, price, quantity and payment terms. We select suppliers mainly based on: (i) quality of materials; (ii) timeliness of delivery; (iii) previous experience and length of partnership with the supplier; (iv) competitiveness of the price offered; and (v) reputation of the supplier. Unless otherwise stated in our agreement with the customer, we usually provide construction materials for our projects. As we are provided with the standard requirements of the materials and we are liable for the quality of our projects, except in the case that we are provided with materials by our customer, as subcontractor, we are able to choose our own suppliers for our projects.

Set out below is a breakdown of the number of suppliers by purchase category during the Track Record Period:

	For the year ended 31 March		
	2013	2014	2015
Construction materials	36	33	49
Diesel fuel	8	8	8

Depending on our capacity, resources level, types of construction works, cost effectiveness and complexity of the project, we may subcontract certain activities in a project to other subcontractors in Hong Kong. During the Track Record Period, our subcontracted works included some kinds of piling construction, reinforced concrete structure works, ground investigation works, transportation of excavated materials, and design works.

SUMMARY

Our subcontractors include sole proprietors as well as companies which generally have the available skills, machinery and/or manpower to perform the activities. During the Track Record Period, the number of subcontractors engaged by our Group was 38, 36 and 26 for the three years ended 31 March 2013, 2014 and 2015, respectively. During the Track Record Period, all of our subcontractors were located in Hong Kong and all of our service fees were denominated in HK dollars.

For the three years ended 31 March 2013, 2014 and 2015, approximately 25.1%, 32.8% and 21.1% of the total subcontracting works by value performed by our subcontractors were attributable to our largest subcontractor of the respective year. For the three years ended 31 March 2013, 2014 and 2015, approximately 66.6%, 58.9% and 68.6% of the total subcontracting works by value performed by our subcontractors were attributable to our five largest subcontractors of the respective year.

For the three years ended 31 March 2013, 2014 and 2015, the total subcontracting charges for the works performed by our subcontractors amounted to approximately HK\$55,731,000, HK\$44,679,000 and HK\$68,164,000, respectively.

According to the Ipsos Report, various factors including the increase in the housing supply in Hong Kong, redevelopment plans of the Government, together with the “Ten Major Infrastructure Projects”, will continue to be drivers of growth in the foundation and substructure industry in Hong Kong. In view of these growth drivers, our Directors anticipate the number of foundation and substructure construction projects in Hong Kong will increase. For the construction wastes handling services industry, the main growth drivers are the increase in construction wastes, as a result of the increasing construction activities mentioned above and the associated demolition and site preparation works, together with the continual support from the Government of the green initiative to minimise the disposal of C&D wastes at landfills. To the extent that our Group is successful in securing these contracts, our business should grow gradually. For details, please refer to the section headed “Industry Overview” of this prospectus.

COMPETITIVE STRENGTHS

We believe the following competitive strengths, details of which are set out in the section headed “Business – Competitive strengths” of this prospectus, contribute to our success and distinguish us from our competitors:

- Established construction works subcontractors capable of providing a wide range of construction services
- Established reputation and proven track record
- Experienced management team
- Experienced in construction wastes handling
- Possession of updated machinery
- Flexible and capable of providing recommendations for projects
- Stable relationship with our key customers

SUMMARY

BUSINESS STRATEGIES

Our principal business objective is to further strengthen our position in the foundation works business as well as the C&D materials handling business. We intend to achieve this objective by implementing the following corporate strategies, details of which are set out in the paragraph headed “Business – Corporate strategies” of this prospectus:

- Compete for sizeable and profitable foundation works projects
- Acquisition of additional machinery
- Further strengthening our manpower

COMPETITIVE LANDSCAPE

Our foundation works and ancillary services contributed revenue of approximately HK\$173,739,000, HK\$170,070,000 and HK\$243,753,000, representing approximately 74.0%, 71.3% and 79.8% of our total revenue for each of the three years ended 31 March 2015, respectively. According to the Ipsos Report, credibility, relationships with working parties, quality of project management, project pricing and safety records are the determinants of competitiveness of a foundation engineering company in Hong Kong. The overall foundation industry is consolidated as the top five players contribute about 48.7% to the total revenue of the foundation industry in Hong Kong in 2014 with revenue each ranged from approximately HK\$1,110 million to HK\$3,192 million. They focus on foundation works that use large diameter bored pile (with bell-out), rock-socketed steel H-pile in pre-bored hole, steel H-pile, mini-pile and precast pre-stressed tubular pile. The top five subcontractors in the foundation industry, with revenue each ranged from approximately HK\$241 million to HK\$554 million, in aggregate had a market share of approximately 8.7% of the overall foundation industry for 2014. Our Group contributed to approximately 1.3% in revenue to the foundation industry and ranked fourth among the subcontractors in the foundation industry in 2014. With our own machinery and equipment and specialist knowledge, our Directors believe that our Group is in a competitive position in the foundation industry in Hong Kong.

Our construction wastes handling services contributed revenue of approximately HK\$61,013,000, HK\$68,471,000 and HK\$61,560,000, representing approximately 26.0%, 28.7% and 20.2% of our total revenue for each of the three years ended 31 March 2015, respectively. According to the Ipsos Report, project pricing and relationship with customers are the main determinants of competitiveness of a construction wastes handling contractor in Hong Kong. The construction waste handling industry is relatively small in size compared to other types of construction works. There have been around ten active contractors tendering for construction waste handling contracts. In 2014, there was only one subcontractor winning a contract for the sorting of C&D materials. In this sense, the market is dominated by the active contractors. Our Group contributed to approximately 15.5% in revenue of the construction wastes handling industry.

SUMMARY OF FINANCIAL INFORMATION

The following tables present a summary of our financial information during the Track Record Period and should be read in conjunction with our financial information included in the Accountants’ Report set forth in Appendix I to this prospectus, including the notes thereto.

SUMMARY

Results of operation

	Year ended 31 March			Percentage change	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	%	%
Revenue	234,752	238,541	305,313	1.6	28.0
Gross profit	34,879	35,195	62,331	0.9	77.1
Profit for the year	20,253	21,059	41,621	4.0	97.6

Revenue and gross profit margin by business segments

	Year ended 31 March		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Revenue			
Foundation works and ancillary services		173,739	170,070
Construction wastes handling services		61,013	68,471
		234,752	238,541
			305,313

	Year ended 31 March		
	2013	2014	2015
	%	%	%
Gross profit margin			
Foundation works and ancillary services	18.5	18.8	24.2
Construction wastes handling services	4.4	4.8	5.6
Overall gross profit margin	14.9	14.8	20.4

Financial position

	As at 31 March			Percentage change	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	%	%
Current assets	59,794	77,842	125,952	30.2	61.8
Current liabilities	62,232	54,140	76,259	(13.0)	40.9
Net current (liabilities)/assets	(2,438)	23,702	49,693	N/A	109.7
Net assets	25,847	46,906	86,177	81.5	83.7
Total assets	97,113	111,957	175,934	15.3	57.1

SUMMARY

Cash flow

	For the year ended 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	22,879	17,388	50,427
Net cash used in investing activities	(18,648)	(6,026)	(15,852)
Net cash used in financing activities	(3,072)	(16,327)	(17,099)
Cash and cash equivalents at beginning of year	4,486	5,645	680
Cash and cash equivalents at end of year	5,645	680	18,156

Key financial ratios

	As at or for the year ended 31 March		
	2013	2014	2015
Current ratio (times)	1.0	1.4	1.7
Quick ratio (times)	1.0	1.4	1.7
Gearing ratio (%)	95.5	50.2	29.8
Net debt to equity ratio (%)	61.7	38.5	3.7
Interest coverage (times)	23.8	22.0	37.4
Return on assets (%)	20.9	18.8	23.7
Return on equity (%)	78.2	43.8	44.7
Gross profit margin (%)	14.9	14.8	20.4
Net profit margin (%)	8.6	8.8	13.6
Debtors' turnover days (days)	38.8	53.9	55.8
Creditors' turnover days (days)	29.6	31.4	36.7

Our revenue was principally generated from the provision of foundation works and other ancillary engineering services and the fees received from the construction wastes handling projects. For each of the three years ended 31 March 2015, our revenue from foundation works and ancillary services amounted to approximately HK\$173,739,000, HK\$170,070,000 and HK\$243,753,000, while construction wastes handling revenue amounted to approximately HK\$61,013,000, HK\$68,471,000, and HK\$61,560,000, respectively.

SUMMARY

The following table sets out the breakdown of our direct costs comprising the cost of sales by nature during the Track Record Period:

	Year ended 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of sales			
Cost of construction materials and supplies	46,990	45,317	52,075
Staff costs	50,554	62,188	61,051
Subcontracting charges	55,731	44,679	68,164
Depreciation of owned and leased assets	12,442	12,583	13,354
Machine rental	3,598	9,009	7,751
Transportation	4,902	5,324	10,070
Others	25,656	24,246	30,517
	<u>199,873</u>	<u>203,346</u>	<u>242,982</u>

Our cost of sales increased from HK\$199,873,000 for the year ended 31 March 2013 to HK\$203,346,000 for the year ended 31 March 2014, which is similar to the increment in our revenue, and to HK\$242,982,000 for the year ended 31 March 2015, as our construction activities surged.

Our gross profit margin remained at similar levels during the years ended 31 March 2013 and 2014 and improved from 14.8% for the year ended 31 March 2014 to 20.4% for the year ended 31 March 2015, which is mainly attributable to the following reasons: (i) the foundation works and ancillary services projects generally yielded higher gross profit margins than the construction waste handling projects, as revenue from foundation works and ancillary services increased whereas revenue from construction waste handling decreased, the resulting gross profit margin was pulled up; (ii) certain of our projects, which are design-and-build foundation and ancillary services projects, brought satisfactory outcome. These design-and-build projects included projects located in North Point, Kwai Chung and Causeway Bay and involved our inputs in two stages – (1) the design stage – which we provided design of pilings, including the choice of types of piles, pile layouts, construction methodology as well as their necessary calculations and drawings; and (2) the build stage – which we construct the structures we designed in stage (1), we consider that we spent adequate resources in the design stage to make our proposals in our tenders attractive. To this end, our Directors consider that an attractive design complies with loading requirements, fits well with site limitations and yet achieves economically efficient which in turn improves our margin, thus, our design team makes scheme designs which we consider the most cost effective piling schemes for our new foundation tenders, which would include the choice of types of piles and ELS design, while we also subcontract detailed calculations and engineering drawings to follow our scheme designs to external parties to maintain our lean team structure; and (iii) our Group strategically reduced its involvement in demolition works, which during the Track Record Period were mostly loss making or yielded only meagre gross margins and contributed approximately HK\$9,215,000 and HK\$2,665,000 for the year ended 31 March 2014 and 2015, respectively.

SUMMARY

Our profit for the year increased from HK\$20,253,000 for the year ended 31 March 2013 to HK\$21,059,000 for the year ended 31 March 2014, and then substantially increased to HK\$41,621,000 for the year ended 31 March 2015. The increase was mainly due to our acceptance of larger scale foundation projects and the successful outcomes of our design-and-build projects, which yielded higher profitability. Additionally, our Group recognised a one-off government grant of HK\$5,717,000 during the Track Record Period, which was mainly for scrapped vehicles under the Government's incentive-cum-regulatory approach to phasing out pre-Euro IV diesel commercial vehicles.

We had a net current liabilities position as at 31 March 2013 amounted to HK\$2,438,000. Since then, we recorded net current assets positions as at 31 March 2014 and 2015 amounted to HK\$23,702,000 and HK\$49,693,000, respectively. The improvement in our net current assets position had been mainly driven by the increasing volume of our construction activities, which were converted into operating cash inflow, trade and other receivables and gross amounts due from customers for contract work. The increase in our current assets thus far exceeded the increase in current liabilities.

Please refer to the section headed "Financial Information" of this prospectus for further discussion and analysis of our financial information.

SHAREHOLDER INFORMATION

Immediately following completion of the Share Offer and the Capitalisation Issue, Grand Jade, which is beneficially owned as to 50% and 50% by Mr. Ip Ying Chau and Mr. Chan Wing Chung, respectively, will hold 75% of the issued share capital of our Company. For the purpose of the Listing Rules, Mr. Ip Ying Chau, Mr. Chan Wing Chung and Grand Jade are our Controlling Shareholders. Please refer to the section headed "Relationship with Controlling Shareholders" of this prospectus for further details.

OFFERING STATISTICS

All statistics in the following table are based on the assumption that the Share Offer has been completed and 2,288,000,000 Shares are in issue immediately after the completion of the Share Offer.

	Based on an Offer Price of HK\$0.22 HK\$	Based on an Offer Price of HK\$0.28 HK\$
Market capitalisation	503,360,000	640,640,000
Unaudited pro forma adjusted combined net tangible assets per Share attributed to the Shareholders	0.06	0.07

For the calculation of the unaudited pro forma adjusted combined net tangible asset value per Share attributable to the Shareholders, please refer to the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus.

SUMMARY

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the Sale Shares by the Vendor in the Share Offer. We estimate that the aggregate net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer, upon the assumption of the Offer Price being HK\$0.25, being the mid-point of the indicative Offer Price range of HK\$0.22 to HK\$0.28 per Offer Share in this prospectus, will be approximately HK\$60.7 million.

We intend to apply the net proceeds from the Share Offer within 12 months from the Listing Date for the following purposes:

- approximately 60.1% of the net proceeds, or approximately HK\$36.5 million, will be used to acquire machinery and equipment. In particular, we plan to acquire 3 sets of large drill rigs, 2 sets of small drill rigs, 4 sets of air compressors, 2 sets of crawler cranes, 2 sets of crane lorries and 1 set of vibro hammer;
- approximately 16.8% of the net proceeds, or approximately HK\$10.2 million, will be used for strengthening our workforce and manpower. Specifically, we expect that out of this sum, approximately HK\$10.0 million will be spent to recruit (i) operation staff, including but not limited to quantity surveyors, safety officers, foremen, site agents and skilled labours; (ii) internal audit staff to deal with the increasingly financial reporting requirements and corporate governance matters following the Listing and the growth of our Group; and (iii) administrative staff to reinforce our asset management department which oversees our Group's machinery and equipment and other fixed assets. The remaining HK\$0.2 million is expected to be used in organising training workshops or courses through external training or by external parties such as training institutions for improving our staff's technical competence;
- approximately 13.2% of the net proceeds, or approximately HK\$8.0 million, will be used for repayment of our outstanding bank borrowings to reduce our finance costs. We intend to repay bank overdrafts bearing interest rates of 6.0% to 6.5% per annum whose facility will expire within a year, finance leases maturing in 2015 with an interest rate of 7.96% per annum and banking facilities maturing in 2020 bearing interest rates of 2.2% to 2.5% per annum; and
- approximately 9.9% of the net proceeds, or approximately HK\$6.0 million, will be used as general working capital of our Group.

We will issue an announcement in the event that there is any material change in the use of proceeds of the Share Offer as described above.

SUMMARY

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$21.6 million, which will be borne by the Vendor and our Group in equal share, each bearing approximately HK\$10.8 million. The portion of listing expenses borne by the Vendor in connection with the Sale Shares of approximately HK\$3.1 million will be set-off against the listing expenses of our Group. The portion of listing expenses of approximately HK\$7.7 million reimbursed by the Vendor in its capacity of a Shareholder will be accounted for as capital contribution to our Group. The listing expenses are non-recurring in nature and are mainly consisted of professional fees paid to the Sponsor, the legal advisers, the reporting accountants and other professional parties for the provision of their services in connection with the Share Offer. No significant listing expenses were incurred by our Group during the two years ended 31 March 2014. Of the aggregate listing expenses of approximately HK\$21.6 million, approximately HK\$3.8 million was charged to profit or loss for the year ended 31 March 2015. For the remaining amount of approximately HK\$17.8 million, approximately HK\$3.1 million will be borne by the Vendor as stated above, and our Group expects to further charge approximately HK\$11.5 million to profit or loss, while approximately HK\$3.2 million is expected to be directly attributable to the issue of Shares and accounted for as a deduction from equity upon successful listing under the relevant accounting standards. The amount of listing expenses is a current estimate for reference only and the final amount to be recognised to the consolidated statement of comprehensive income of our Group for the year ending 31 March 2016 is subject to audit and the actual changes in variables and assumptions.

DIVIDENDS

For the years ended 31 March 2013, 2014 and 2015, Win Target declared dividend in the amount of HK\$nil, HK\$nil and HK\$1,300,000 to the then shareholders, respectively, and the said dividend has been fully paid in cash as at the Latest Practicable Date. In August 2015, members of our Group declared in aggregate of HK\$25 million to their shareholders, part of which was used to offset the amount due from Directors. Other than these payouts, no member of our Group had declared any dividend during the Track Record Period.

The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant.

PRINCIPAL RISK FACTORS

There are certain risks involved in our operations which are beyond our control. They can be broadly categorised into risks relating to our business and risks relating to the industry in which we operate. Potential investors are advised to read the section headed "Risk Factors" of this prospectus carefully before making any investment decision in the Share Offer. Some of the more particular risk factors include:

- We have a concentrated customer base and any decrease in the number of projects with our top five customers would adversely affect our operations and financial results;
- Decrease in sizeable projects in terms of revenue recognised would affect our operations and financial results;
- Any failure of our Group to be awarded construction wastes handling projects would adversely affect our resources allocation and financial results;

SUMMARY

- Our business relies on successful tenders and any failure of our Group to secure projects awards would affect our operations and financial results;
- Our revenue derived from projects which are not recurring in nature;
- Any deterioration in the prevailing market conditions in the construction industry may adversely affect our performance and financial condition; and
- We operate in a highly competitive market.

RECENT DEVELOPMENTS

As at the date of this prospectus, we had 15 foundation and ancillary services projects and one construction wastes handling project ongoing.

Subsequent to 31 March 2015 and up to the date of this prospectus, we have been successfully awarded five projects which relate to foundation and ancillary services, four of which have commenced before the date of this prospectus and one project is due to commence in October 2015. Aggregate contract sum for these projects is approximately HK\$137.8 million.

Other than projects that have not yet commenced, all existing projects on hand have continued to contribute revenue to our Group and none of them has had any material interruption. From 1 April 2015 and up to the date of this prospectus, we had completed three projects, which are site formation and ELS works located in Kwai Tsing district, removal and disposal works of existing filled materials located in Tai Po district and site formation works located in Shatin district.

Our Directors consider that our Group is well-positioned to take on new foundation construction projects and believe that the emphasis of Government policy on housing and land supply would favour the growth of our Group and the demand of our services.

MATERIAL ADVERSE CHANGE

Our Directors confirm that, save as disclosed, in particular, in the sections headed “Summary – Summary of financial information” and “Summary – Listing expenses” of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2015, being the date to which the latest audited financial statements of our Group were made up, and up to the date of this prospectus.

LITIGATION AND REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, there were on-going litigation cases against our Group including employees’ compensation claims, personal injury claims and certain non-compliance with statutory safety regulations, the Predecessor Companies Ordinance, the Companies Ordinance and other ordinances. For details of such litigation claims and instances of non-compliance, please refer to the paragraphs headed “Business – Litigation and potential claims” and “Business – Legal and regulatory compliance – Non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date” of this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms and expressions have the following meanings.

“affiliate”	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s) or where the context so requires, any of them, relating to the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company, as amended from time to time, a summary of which is contained in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “our Board”	the board of Directors
“Bright Access”	Bright Access (HK) Limited (明哲(香港)有限公司), a company incorporated in Hong Kong with limited liability on 20 October 2008, and an indirect wholly-owned subsidiary of our Company
“business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of Shares made by capitalising part of the reserve of our Company referred to in the section headed “Statutory and General Information – A. Further Information about our Company – 3. Written resolutions of our sole Shareholder passed on 12 August 2015” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chung Shun”	Chung Shun Construction Limited (忠信建築有限公司), a company incorporated in Hong Kong with limited liability on 21 November 2001, and an indirect wholly-owned subsidiary of our Company
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“CNI Securities”	CNI Securities Group Limited, a licensed corporation for carrying on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities under the SFO
“Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice”	the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Law”	the Companies Law (as revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	LEAP Holdings Group Limited (前進控股集團有限公司), formerly known as LEAP Holdings Limited (前進控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 15 May 2015
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in the context of this prospectus refers to Mr. Ip Ying Chau, Mr. Chan Wing Chung and Grand Jade
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Deed of Indemnity”	a deed of indemnity dated 17 August 2015 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries), under which our Controlling Shareholders have given certain indemnities in favour of our Company containing, among others, the indemnities referred to in the paragraph headed “Statutory and General Information – E. Other Information – 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deeds of Non-competition”	three non-competition deeds all dated 17 August 2015 entered into between our Company (for ourselves and as trustee for and on behalf of our subsidiaries) and each of the Controlling Shareholders
“Director(s)” or “our Director(s)”	the director(s) of our Company
“Full State”	Full State Developments Limited (豐邦發展有限公司), a company incorporated in the BVI with limited liability on 13 February 2015, and an indirect wholly-owned subsidiary of our Company
“Glory Port”	Glory Port International Limited (悅港國際有限公司), a company incorporated in the BVI with limited liability on 23 January 2015, and a direct wholly-owned subsidiary of our Company
“Goldfield”	Goldfield Building Contractors Limited (金輝營造有限公司), a company incorporated in Hong Kong with limited liability on 8 July 1986, one of the shareholders of Win Target immediately before the Reorganisation
“Government”	the government of Hong Kong
“Grand Jade”	Grand Jade Group Limited (弘翠集團有限公司), a company incorporated in the BVI with limited liability on 12 February 2015, and a Controlling Shareholder
“Group”, “our Group”, “we”, “us”, “Group Company”	our Company and our subsidiaries or, where the context otherwise requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company and the business operated by such subsidiaries or some or any of them
“HKFRSs”	the Hong Kong Financial Reporting Standards, including the Hong Kong Accounting Standards and interpretation issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$” or “Hong Kong dollars” “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Union Registrars Limited, the branch share registrar and transfer office of our Company in Hong Kong
“independent third party(ies)”	parties which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, are independent of and not connected with our Company and its connected persons
“Jia Jian”	Jia Jian Global Limited (佳建環球有限公司), a company incorporated in the BVI with limited liability on 13 February 2015, and an indirect wholly-owned subsidiary of our Company
“Joint Bookrunners” or “Joint Lead Managers”	CNI Securities and TC Capital, acting as the joint bookrunners and joint lead managers of the Share Offer
“Joint Wealth”	Joint Wealth Global Limited (合富環球有限公司), a company incorporated in the BVI with limited liability on 13 February 2015, and an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	11 August 2015, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
“Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong
“Listing”	listing of the Shares on the Stock Exchange
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Date”	the date, expected to be on or about Wednesday, 2 September 2015, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company as amended from time to time

DEFINITIONS

“MPF”	mandatory provident fund
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), at which Offer Shares are to be subscribed, to be determined in the manner further described in the section headed “Structure of the Share Offer – Pricing and allocation” of this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares, collectively
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters, as further described in the section headed “Structure of the Share Offer” of this prospectus
“Placing Shares”	the 228,800,000 new Shares and 286,000,000 Sale Shares initially offered by our Company and the Vendor, respectively, for subscription and/or purchase at the Offer Price under the Placing, subject to reallocation as described in the section headed “Structure of the Share Offer” of this prospectus
“Placing Underwriters”	the underwriters of the Placing that are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the underwriting agreement expected to be entered into on or around Friday, 28 August 2015 by, among others, our Controlling Shareholders (including the Vendor), the Joint Bookrunners, the Placing Underwriters, our executive Directors and our Company in respect of the Placing, as further described in the section headed “Underwriting – Underwriting arrangements and expenses – Placing” of this prospectus
“PRC” or “China”	the People’s Republic of China (中華人民共和國), except where the context requires otherwise, and for the purpose of this prospectus only excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Vendor) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Thursday, 27 August 2015, on which the Price Determination Agreement is entered into but in any event no later than Friday, 28 August 2015
“Progressive Foundation”	Progressive Foundation Company Limited (安達地基有限公司), a company incorporated in Hong Kong with limited liability on 11 May 2012, and an indirect wholly-owned subsidiary of our Company
“Public Offer”	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, as further described in the section headed “Structure of the Share Offer” of this prospectus and the related Application Forms
“Public Offer Shares”	the 57,200,000 new Shares initially offered by our Company for subscription at the Offer Price under the Public Offer, subject to reallocation as mentioned in the section headed “Structure of the Share Offer” of this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the section headed “Underwriting – Public Offer Underwriters” of this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated Wednesday, 19 August 2015 relating to the Public Offer and entered into by, among others, our Controlling Shareholders, the Sponsor, the Joint Bookrunners, the Public Offer Underwriters, our executive Directors and our Company, as further described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Public Offer Underwriting Agreement” of this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation arrangement undergone by our Group in preparation for the Share Offer as described in the section headed “Statutory and General Information – A. Further information about our Company – 4. Corporate reorganisation” in Appendix IV to this prospectus

DEFINITIONS

“Sale Shares”	the 286,000,000 Offer Shares initially offered by the Vendor at the Offer Price under the Placing
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme of our Company, conditionally approved and adopted by our Company, the principal terms of which are summarised in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Sponsor” or “TC Capital”	TC Capital Asia Limited, a licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, acting as the sponsor of the Listing and an independent third party
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	comprises the financial years ended 31 March 2013, 2014 and 2015
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S.” or “United States” or “US”	the United States of America

DEFINITIONS

“U.S. Securities Act”	the United States Securities Act of 1993 (as amended from time to time)
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“Vendor”	Grand Jade, our existing Shareholder who is expected to offer to sell the Sale Shares in the Placing
“Win Target”	Win Target Engineering Limited (時發工程有限公司), a company incorporated in Hong Kong with limited liability on 6 December 2012, and an indirect wholly-owned subsidiary of our Company
“m”	metre(s)
“mm”	millimetre(s)
“sq. m.” or “m ² ”	square metre(s)
“%”	per cent.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Company and its business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

“bills of quantities”	a list of items giving brief identifying descriptions and the quantities measured in accordance with this document in respect of the work to be performed. The main functions of the bills of quantities are (a) to allow a comparison of tender prices of tenders obtained from tenderers; and (b) to provide a means of valuing the work executed when the contract has been entered into
“bored piles”	a type of pile installed by machine boring to the required level and subsequently inserting reinforcement cage into the hole and filling the hole with concrete
“Bureau Veritas”	a global company in testing, inspection and certification services to ensure the certificate holder complies with standards and regulations in terms of quality, health and safety, environmental protection and social responsibility
“C&D materials”	construction and demolition materials, being any substance, matter or thing which is generated as a result of construction work and abandoned whether or not it has been processed or stockpiled before abandoned. It is a mixture of surplus materials arising from site clearance, excavation, construction, refurbishment, renovation, demolition and road works
“C&D waste”	the non-inert substance of C&D materials which may include bamboo, timber, vegetation, packing waste and other organic materials and are subject to disposal at landfills
“CAGR”	compound annual growth rate
“CEDD”	Civil Engineering and Development Department, a department of the Government, or where the context refers to any time prior to its establishment, the relevant preceding Government department which undertook such public function
“Census and Statistics Department”	Census and Statistics Department of the Government
“CHIT”	transaction record(s), issued by the Government, required for disposal of C&D materials at designated waste disposal facilities for the purpose of charging for the disposal

GLOSSARY OF TECHNICAL TERMS

“ELS”	excavation and lateral support, the system of construction works for the purposes of shoring support in the excavated area and, if applicable, drainage measures and avoidance of adverse effect on the adjacent structures
“EPD”	Environmental Protection Department of the Government
“footing”	a type of shallow foundation which transfers building loads to a shallow bedrock layer or undisturbed soil
“hoarding”	temporarily erecting fences or scaffolds on the ground and/or overhead structures along the site boundary to form a barrier between construction sites and the adjoining areas
“HOKLAS”	Hong Kong Laboratory Accreditation Scheme, an accreditation scheme operated by Hong Kong Accreditation Service
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 14001: 2004”	ISO 14001: 2004 is an internationally recognised standard for the environmental management of businesses. It aims at recognising the desirable behaviour of businesses concerning the environment. It prescribes controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption
“ISO 9001: 2008”	ISO 9001: 2008 is an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
“mini-piles”	a type of pile which consists of four or more steel bars encased by grout inside a pre-bored hole not exceeding 300 mm in diameter

GLOSSARY OF TECHNICAL TERMS

“OHSAS 18001: 2007”	OHSAS 18001: 2007 is an internationally recognised specification for Occupational Health and Safety Management Systems. It specifies requirements for an occupational health and safety management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational safety and health performance
“pile cap”	a concrete structure built on top of a pile, or a group of piles, which is used to transfer the superstructure load to the pile or a group of piles
“pipe piles”	a type of pile designed to use circular steel tubes or pipes to provide intermitted vertical support and are installed before excavation commence
“public fill”	the recyclable or reusable inert materials of C&D materials, comprising rock, concrete, asphalt, bricks, stones, and soil which can be used as fill materials in reclamation and other earth filling projects
“public fill reception facilities”	public filling areas, public filling barging points, public fill stockpiling areas, fill banks and C&D materials recycling facility are collectively regarded as public fill reception facilities and are managed by the CEDD to accept public fill
“socketed steel H-piles”	a type of pile formed by inserting a steel H-pile section into a prebored hole formed into the bedrock and the prebored hole is then filled with non-shrink cement grout
“soldier piles”	a type of pile constructed of steel H sections spaced about 0.8 m to 1 m apart that provide intermitted vertical support and are installed before excavation commence
“surety bond”	a bond issued by a bank or insurance company to secure the due and timely performance of a project by the contractor in cases where the contractor fails to perform according to the requirements in the contract, the contractor’s customer is entitled to the compensation for monetary loss up to the amount of the surety bond

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to the following:

- our Group’s business prospects;
- our Group’s contracts on hand;
- future developments, trends and conditions in the industry and markets in which we operate;
- our Group’s business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which our Group operate;
- changes to the regulatory environment and general outlook in the industry and markets in which our Group operate;
- the effects of the global financial markets and economic crisis;
- our Group’s financial position;
- our Group’s ability to reduce costs;
- our Group’s dividend policy;
- the amount and nature of, and potential for, future development of our Group’s business;
- various business opportunities that our Group may pursue;
- capital market developments;
- our Group’s ability to source raw materials;
- fluctuation in the prices of raw materials and our Group’s ability to pass-through any increases in price to customers;
- our Group’s ability to protect our Group’s intellectual property rights;

FORWARD-LOOKING STATEMENTS

- our Group's ability to hire and retain talented employees;
- the actions and developments of our competitors and our Group's ability to compete under these actions and developments;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other factors beyond our Group's control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

RISK FACTORS

Prospective investors should consider carefully all of the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Offer Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks and you may lose all or part of your investment.

We believe that there are certain risks involved in our business and operations. They can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to Hong Kong; (iv) risks relating to the Share Offer; and (v) risks relating to statements of this prospectus.

RISKS RELATING TO OUR BUSINESS

We have a concentrated customer base and any decrease in the number of projects with our top five customers would adversely affect our operations and financial results

A significant portion of our revenue was derived from a small number of customers during the Track Record Period. Our top five customers' revenue contribution for each of the three years ended 31 March 2015 accounted for approximately 82.6%, 74.2% and 86.8% of our revenue of the same period, respectively. For the same period, our largest customer accounted for approximately 26.0%, 24.1% and 39.7% of our revenue, respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term service agreement or master service agreement with our customers. Furthermore, our service contracts for all foundation works and ancillary services projects and construction wastes handling projects are on a project-by-project basis. As such, there is no assurance that we will be able to retain our customers upon expiry of the contract period or that they will maintain their current level of business with us in the future. If there is a significant decrease in the number of projects or size of projects in terms of contract sums awarded by our top five customers to us for whatever reasons, and if we are unable to obtain suitable projects of a comparable size and quantity as replacement, our financial conditions and operating results would be materially and adversely affected. Besides, if any of our top five customers experiences any liquidity problem, it may result in delay or default in settling progress payments to us, which in turn will have an adverse impact on our cash flows and financial conditions. We cannot guarantee that we will be able to diversify our customer base by obtaining significant number of new projects from our existing and potential customers.

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Approximately 45.1%, 38.7% and 49.6% of our revenue for each of the three years ended 31 March 2015 were attributable to our top five foundation works and ancillary services projects, respectively and any decrease in the number of such sizeable projects in term of revenue recognised would affect our operations and financial results

For each of the three years ended 31 March 2015, the revenue recognised under our top five foundation works and ancillary services projects in terms of revenue recognised accounted for approximately 45.1%, 38.7% and 49.6% of our revenue, respectively.

The award of projects with considerable contract sum to us will depend on our tendering strategy and the availability of such projects under the prevailing market conditions as detailed in paragraph headed “Risk Factors – Risks relating to the industry in which we operate” of this prospectus. There is no guarantee that we can maintain adequate number of sizeable foundation works and ancillary services contracts in the future and in case of decrease in the number of such sizeable projects awarded to us, our operating results and financial performances will be adversely affected.

Due to the unique nature of the construction wastes handling service and its considerable contribution to the revenue of our Group, any failure of our Group to be awarded construction wastes handling projects would adversely affect our resources allocation and financial results

Currently, there are four public fill reception facilities in Hong Kong to handle construction wastes projects. For details, please refer to the paragraph headed “Business – Construction wastes handling services” of this prospectus. During the Track Record Period, we participated in one project of works at Tsueng Kwan O Area 137 and Chai Wan Public Fill Barging Point, and one project of the operation and maintenance of temporary construction wastes sorting facilities in Tsueng Kwan O Area 137 and Tuen Mun Area 38. During the Track Record Period, our construction wastes handling services contributed revenue of approximately HK\$61,013,000, HK\$68,471,000 and HK\$61,560,000, representing approximately 26.0%, 28.7% and 20.2% of our total revenue for each of the three years ended 31 March 2015, respectively.

Pursuant to the subcontracts with our customers, we provide sufficient resources, including manpower and machineries to perform the subcontracting works of the construction wastes handling projects in order to complete the projects in a timely matter. However, there is no guarantee that we will be engaged again to operate the existing public fill reception facilities sites upon the expiry of the contract period or we will be able to secure new construction wastes handling contract in the future. And there is no assurance that the scale and/or the contractual terms in such new contract will be similar to that of our existing contracts. Due to the different nature between construction wastes handling business and foundation works and ancillary services, any significant decrease of the number or termination of the construction wastes handling projects may adversely affect our resources allocation and financial results since our staff and machineries originally deployed in construction wastes handling business may become redundant.

Our business relies on successful tenders that determine the award of our projects and any failure of our Group to secure projects awards from our existing customers and/or to seek new customers in the future would affect our operation and financial results

During the Track Record Period and up to the Latest Practicable Date, we secured our foundation works and ancillary services projects and construction wastes handling projects

RISK FACTORS

through competitive tender process which is a normal industry practice for construction projects. We cannot assure that our current or potential customers will invite us to participate in their tendering process, or that we will be able to secure projects to be awarded from our customers with reasonable gross profit margin in the future. Upon the completion of our contracts on hand, in the event that our Group is unable to secure new tenders or be awarded of new projects with comparable contract sums or at all, our business in general and our results of operations may be adversely and materially affected. Further information on the tender success rate is set out in the paragraph headed “Business – Quotations submitted during the Track Record Period” of this prospectus. Prospective investors should be aware of such risk of our Group.

Our listing expenses, which are non-recurring in nature would significantly and adversely affect our financial performance and results of operation

Our Directors estimate that the aggregate amount of expenses in relation to the Listing is approximately HK\$21.6 million, which will be borne by the Vendor and our Group in equal share, each bearing approximately HK\$10.8 million. The portion of listing expenses to be reimbursed by the Vendor in connection with the Sale Shares of approximately HK\$3.1 million will be set-off against the listing expenses of our Group. The portion of listing expenses of approximately HK\$7.7 million to be reimbursed by the Vendor in its capacity as a Shareholder will be accounted for as capital contribution to our Group.

Of the aggregate listing expenses of approximately HK\$21.6 million, approximately HK\$3.8 million was charged to profit or loss for the year ended 31 March 2015. For the remaining amount of approximately HK\$17.8 million, approximately HK\$3.1 million will be borne by the Vendor and our Group expects to further charge approximately HK\$11.5 million to profit or loss, while approximately HK\$3.2 million is expected to be directly attributable to the issue of the new Shares and accounted for as a deduction from equity upon successful listing under the relevant accounting standards. Expenses in relation to the Listing are non-recurring in nature. Whether or not the Listing eventually occurs, a major portion of the Listing expenses will have been incurred and recognised as expenses, which will reduce our net profit and therefore negatively affect our future financial performance. As a result, our Board wishes to inform the Shareholders and potential investors that our Group’s business, financial performance, results of operations and prospect would be significantly and adversely affected by the estimated expenses in relation to the Listing.

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

All of our revenue during the Track Record Period was derived from foundation works and ancillary services projects and construction wastes handling projects in Hong Kong, and our engagements with customers were on a project basis and non-recurring in nature. After completion of the projects, our customers are not obliged to engage us again in subsequent foundation works and ancillary services projects or the same construction wastes handling projects. We have to undergo the entire tender or quotation selection process for every new project.

We cannot assure you that our existing customers will award new projects to us, nor can we guarantee that we will be able to maintain our business relationships with our existing customers. In the event that we are unable to attract new customers or secure new foundation works and ancillary services projects or maintain our current construction wastes handling

RISK FACTORS

projects from our existing customers, there may be a significant decrease in our revenue. Our operations and financial results would hence be adversely affected.

Our historical growth rate, revenue and profit margin may not be indicative of our future growth rate, revenue and profit margin

For each of the three years ended 31 March 2015, our revenue was approximately HK\$234,752,000, HK\$238,541,000 and HK\$305,313,000, respectively. For the same period, our profit and total comprehensive income was approximately HK\$20,253,000, HK\$21,059,000 and HK\$41,621,000, respectively. For each of the three years ended 31 March 2015, our gross profit was approximately HK\$34,879,000, HK\$35,195,000 and HK\$62,331,000, respectively, whereas our gross profit margin for the same period was 14.9%, 14.8% and 20.4%, respectively. For discussions as to our results of operations, please refer to the paragraph headed “Financial Information – Period to period comparison of results of operations” of this prospectus.

There is inherent risk in using such historical financial information of us to project or estimate our financial performance in the future, as they only reflect our past performance under particular conditions. We may not be able to sustain our historical growth rate, revenue and profit margin for various reasons, including but not limited to, deterioration in the market conditions of the construction industry in Hong Kong, intensification of competition among subcontractors, aggravation in labour shortage, and other unforeseen factors such as adverse weather and geological conditions, which may delay the completion of our projects, reduce the number of projects awarded to us, and/or reduce the profit margin of our projects.

There is no assurance that we will be able to achieve the performance as we did during the Track Record Period. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

We were involved in certain ongoing legal proceedings against us as at the Latest Practicable Date. If we are found liable, we may have to make compensations, incur significant financial loss, and suffer damage to our reputation

As at the Latest Practicable Date, we were involved in a number of ongoing legal proceedings against us. For details, please refer to the paragraph headed “Business – Litigation and potential claims – Ongoing litigations against our Group as at the Latest Practicable Date” of this prospectus.

There is no assurance that the outcomes of the above proceedings would be favourable to us. If we are liable to make substantial amounts of damages and such damages is not covered by insurance it will result in significant financial loss, damage to our reputation in the construction industry, and adversely affect our financial conditions. In addition, we may have to incur huge expenditures in defending ourselves in such proceedings.

We may be involved in construction and/or disputes, legal and other proceedings arising from our operations from time to time and may face significant legal liabilities as a result

We may be involved in disputes with our employees, customers, suppliers, subcontractors and other project parties from time to time in respect of various matters, including delay in completion of foundation works and ancillary services projects and construction wastes handling projects, personal injury claims, complaints about the quality of completed works and damages to machinery and equipment arising from daily operation.

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Further, disputes may arise between us and our customers as to the value of work properly done in a particular period, and the progress payment that we are entitled to in the relevant period. In some projects, the subcontracts may include variation clauses which empower our customers of the construction projects and/or the main contractors to give instructions to vary the subcontract works which we are generally obliged to follow. The value of such variations is ascertained by reference to the rates and prices specified in the subcontracts for the like or analogous works. If no rates and prices are specified, or if they are not applicable, such value shall be proper and reasonable in all circumstances, failing which, at a rate agreed between the main contractors and our Group. In the event that we fail to reach an agreement, the rates shall be fixed by the main contractors at a reasonable and proper price in their opinion. If we and the main contractors take different views on the valuation results, contractual disputes with our customers may arise.

There is no assurance that we may be able to resolve every instance of dispute by way of negotiation and/or mediation with relevant parties. If we fail to do so, it may lead to legal and other proceedings against us, and consequently we may have to incur huge expenditures in defending ourselves in such actions. If we fail to obtain favourable outcomes in such proceedings, we may be liable to pay significant amount of damages which may adversely affect our operations and financial results.

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

We determine the price of tender or quotation based on our cost estimate plus a certain mark-up margin. For details of the factors we take into account when making our cost estimate, please refer to the section headed “Business – Operation process – Invitation for tendering or quotation, preparation and submission” of this prospectus. The actual time and costs incurred by us, however, may be adversely affected by various factors, including (i) the specifications, underground conditions and difficulties of the potential project; (ii) the duration of the potential project; (iii) the site location and the conditions and adjacent risk of building structures nearby; (iv) the resource availability; and (v) our previous experience with the customer. Significant changes in any of these or other relevant factors may lead to delay in completion or costs overrun by us, and there is no assurance that the actual time and costs incurred by us would match our initial estimate. Such delays, cost overruns or mismatch of actual time and costs with our estimates may cause our profitability to be lower than what we expected or may expose us to litigation or claims from customers in case of delays.

We normally set an extra mark-up margin on top of our estimated costs to cater to the possible unfavourable factors above, yet too high a margin may render our tender or quotation uncompetitive. There is no assurance that we will always be able to price our tender or quotation competitively, and if we fail to do so, our customers may opt for our competitors, thereby resulting in a decrease in the number of projects awarded to us. Even if such a mark-up margin is accepted and agreed by our customer, there can be no assurance that we can be fully compensated for the occurrence of the unfavourable factors above. This would adversely affect our operations and financial results. Meanwhile, if the mark-up margin set by us is too low, the gross profits may not be able to cover other potential loss arising from any unfavourable circumstances during project implementation. Our profitability in the project would hence be adversely and materially affected.

RISK FACTORS

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

In general, we do not receive any prepayment from our customers. Nevertheless, during the commencement of a project, we may incur various costs, including but not limited to: (i) purchase costs of construction materials and supplies; (ii) rental costs for machinery; and (iii) settlement of our workers' salary and our subcontractors' fees. As such, we are subject to credit risks of our customers and our liquidity is dependent on our customers making prompt progress payments and release of retention monies due to us. For details of the mechanisms of the progress payment and retention money, please refer to the paragraphs headed "Business – Operation process – Progress payment" and "Business – Operation process – Defects liability period and release of retention money" of this prospectus.

As at 31 March 2014 and 31 March 2015, the trade receivables amounted to approximately HK\$40,962,000 and HK\$52,376,000, respectively, representing an increase of HK\$11,414,000 or 27.9%, whereas the respective trade receivables accounted for 52.6% and 41.6% of the total current assets, respectively. In addition, the debtors' turnover days were 38.8 days, 53.9 days and 55.8 days for each of the three years ended 31 March 2015, respectively. For details of the fluctuations in our retention receivables from customers and debtors' turnover days, please refer to the paragraph headed "Financial Information – Discussion of certain combined statements of financial position items – Trade and other receivables" of this prospectus. We cannot assure you that we will be able to recover all or any part of the amounts due from our customers or we will be able to collect all or any part of retention receivables from our customers within the agreed credit terms or at all.

Further, in the event that disputes arise between us and the main contractor or customer as to the variation orders, there is a possibility that we may take longer time than the credit period offered to collect payments. This will negatively affect our cash flows and financial performance.

Amount recognised as revenue by us may not be the same as the value of works to be certified by our customer

Our Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to be recognised in a given period. For all interim payments, the stage of completion of a project is measured by reference to works completed according to the payment certificates as certified by and received from our customers. Nevertheless, for any project which has been completed where final payment application has been made by us but not yet been certified by our customer as at the year end date, we recognise estimated revenue by reference to the amount of completed works confirmed by our in-house quantity surveyor as reflected in the payment application made. As such, revenue recognised by us on the projects may not necessarily be the same amount eventually to be certified by our customer, who will undergo certification process after we submit our final account payment application. Disputes may arise between us and our customer in the amount certified by our customer and the amount submitted by us for payment application. There is no assurance that our recognised revenue will always be the same amount certified by our customer eventually. If our customer's final certified amount is significantly less than the revenue recognised by our Group in a given period, we may have to make provision or impairment to our trade receivables for such temporary timing difference in recognition of final contract sum which may affect the stability of our results of operations.

RISK FACTORS

Our cash flows position may deteriorate due to potential mismatches in time between receipt of progress payments from our customers, and payments to our sub-subcontractors and suppliers

As a subcontractor, we may delegate specific work tasks to our subcontractors from time to time for foundation works and ancillary services projects. We also rely on machinery and equipment to carry out our operations, and need to purchase various construction materials and supplies to complete our subcontract works. As such, we would record significant cash outflow in the event that we take up too many substantial projects at a particular period of time.

As at 31 March 2014 and 31 March 2015, our trade payables amounted to approximately HK\$15,865,000 and HK\$32,979,000, respectively, representing an increase of HK\$17,114,000 or 107.9%, whereas the respective trade payables accounted for 29.3% and 43.2% of the total current liabilities respectively. In addition, the creditors' turnover days were 29.6 days, 31.4 days and 36.7 days for each of the three years ended 31 March 2015, respectively. For details of the fluctuations in our retention payables to our subcontractors and our suppliers and the creditors' turnover days, please refer to the paragraph headed "Financial Information – Discussion of certain combined statements of financial position items – Trade and other payables" of this prospectus.

We rely on cash inflow from our customers to meet our payment obligations to our suppliers. Our cash inflow is dependent on prompt settlement of progress payments, and timely release of retention monies by our customers. Nevertheless, even if our customers settle such payments on time and in full, there can be no assurance that we would not experience any significant cash flow mismatch. Further, there can be no assurance that our cash flow management measures could function properly or at all. If there were any significant and substantial cash flow mismatch, we might have to raise funds by resorting to internal resources and/or banking facilities in order to meet our payment obligations in full and on time.

We may occasionally be required by our customers to arrange surety bonds to secure our due performance of contracts, which may adversely affect our cash flows and financial position

It is a common practice in construction industry that contractors are required by their customers to take out surety bonds at a fixed sum or in a certain percentage of the contract sum to secure due performance and compliance with the contracts. If the contractor fails to comply with the requirements in the contracts, the customer is guaranteed the compensation for monetary loss up to the amount of the surety bonds.

During the Track Record Period, we undertook seven projects which involved requirement of surety bonds from our customers. The amount paid up for the surety bonds may be locked up for a prolonged period of time, depending on contract period. Further, we cannot guarantee we will not undertake projects which have surety bonds requirements in the future, if we fail to satisfactorily complete our works as required by our customers, the amount paid up for the surety bonds will not be released to us, which thereby may adversely affect our cash flows and financial position.

We had net current liabilities position during the Track Record Period

Our Group recorded net current liabilities of approximately HK\$2,438,000 as at 31 March 2013. There is no assurance that our Group's previous net current liabilities position

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will not impair our ability to make necessary capital expenditures, obtain external financings or develop business opportunities.

There is no guarantee that safety measures and procedures implemented at our construction sites could prevent the occurrence of industrial accidents of all kinds, which in turn might lead to claims in respect of employees' compensation, personal injuries, fatal accidents, and/or property damages against us

We have adopted certain work safety measures and procedures for our staff and our subcontractors' staff. For details, please refer to the paragraph headed "Business – Occupational health and safety" of this prospectus. We rely on our staff to oversee the implementation of safety measures and procedures, and we cannot guarantee that all of the safety measures and procedures are strictly adhered to at any time, nor can we assure you that our safety measures and procedures are sufficient to prevent the occurrence of industrial accidents of all kinds. If the safety measures and procedures implemented at our construction sites are insufficient or not strictly adhered to, it may result in industrial accidents which would in turn lead to claims in respect of employees' compensation, personal injuries, fatal accidents, and/or property damage against us. These would result in significant financial loss, damages to our reputation in the construction industry and adversely affect our financial conditions.

We rely on our Board members and senior management staff, and their departure would adversely affect our operations and financial results

The success of our business has been, and will continue to be, heavily dependent upon the continuing service of our executive Directors and senior management team. For details, please refer to the section headed "Directors, Senior Management and Staff" of this prospectus. They have been key members of our management team and playing a pivotal managerial role in areas such as conducting our daily operations and formulating our long-term business strategies. If one or more of our executive Directors or members of senior management is/are unable or unwilling to continue in their present positions, we might not be able to identify suitable replacements in a timely manner, or at all. Our business may hence be severely disrupted and our financial condition and operating results may be materially and adversely affected.

We rely on our subcontractors, who are independent third parties, to handle some of our foundation works and ancillary services projects, and any delay or defects in their works would adversely affect our operations and financial results

During the Track Record Period, we subcontracted the entire or certain portions of our foundation works and ancillary services projects works, including some kind of piling construction, reinforced concrete structure works, ground investigation works and design works to our subcontractors who are independent third parties. For each of the three years ended 31 March 2015, the total subcontracting charges amounted to approximately HK\$55,731,000, HK\$44,679,000 and HK\$68,164,000, respectively, representing approximately 27.9%, 22.0% and 28.1% of our total cost of sales, respectively. For details of our arrangements with subcontractors, please refer to the paragraph headed "Business – Subcontracting arrangements" of this prospectus.

There is no assurance that we would be able to monitor the performance of our subcontractors as directly and efficiently as with our own staff. If our subcontractors fail to

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meet our requirements, we may experience delay in project completion, quality issues concerning the works done, or non-performance by subcontractors. Consequently, we may incur significant time and costs to carry out remedial actions, which would in turn adversely affect the profitability and reputation of our business, and result in litigation or damage claims against us.

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

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

We may be liable for damage caused to underground services utilities and infrastructures and/or foundation of aged building adjacent to the construction site where we carry out our foundation works and ancillary services projects

When we carry out foundation works and ancillary services projects, we may encounter fresh and flush water mains, electric cables, telephone and internet cables, cable television wire, gas mains and other services utilities and infrastructures which are laid underground or below carriageways and footways. If damage is made to these services utilities during our works, we may be liable for the costs for the repair of such utilities and the relevant remedial works will increase our costs for the projects and may cause delay in our project schedule.

Further, there may be some aged buildings adjacent to the construction sites where we carry out our foundation and ancillary services projects, and we may be required to revise our project plan if relevant authorities would conduct investigation. As such, this may lead to delay of our projects and incur additional costs in our construction.

The geological conditions for underground projects are difficult to be anticipated and this may incur higher project expenses and adversely affect our profitability

We are exposed to inherent project risk that the geological conditions of the underground projects are difficult to be anticipated and unforeseen problems or circumstances may occur during the project implementation. If such risk arises, our progress of projects may be delayed and our project expenses may increase. In the event that we have committed to a fixed sum contract and no adjustment to the price could be agreed by us and our customers, we are subject to the cost overruns and the adverse effect on our profitability.

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Our foundation works and ancillary services projects and construction wastes handling projects are labour intensive. If we or our subcontractors experience any shortage of labour, industrial actions, strikes or material increase in labour costs, our operations and financial results would be adversely affected

We rely on a stable workforce to carry out our foundation works and ancillary services projects and construction wastes handling projects. In particular, we require a large number of construction workers with various skills and expertise. According to the Ipsos Report, however, the construction industry in Hong Kong is suffering from the challenges of labour shortage and aging work force, especially during the time when there are a number of ongoing construction projects in the booming market.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage of labour, industrial actions, strikes or material increase in labour costs. However, in view of the current situation in the labour market, we cannot assure you that we will not experience these problems in the future, and as a result, we would have to offer better remuneration packages and other benefits to attract and retain key personnel and skilled labour. There can be no assurance that we will possess sufficient resources for such purpose. If we cannot retain or recruit sufficient number of skilled workers to handle our projects in a timely manner, we may experience delay in project completion and our ability to handle future projects would in turn be significantly impaired.

We may be unable to attract and retain employees with the requisite skills, expertise and experience, which would adversely affect our operations, business growth and financial results

We rely on the skills, expertise and experience of our employees to provide quality services to our customers. Our employees may terminate their employment with us prematurely and we may not be able to retain them. Experienced and skilled workers in the construction industry are highly sought after, and competition for talent is intense. Our direct labour cost amounted to approximately HK\$50,554,000, HK\$62,188,000 and HK\$61,051,000 for each of the three years ended 31 March 2015, respectively, representing approximately 25.3%, 30.6% and 25.1% of our total cost of sales, respectively for the same period.

If we experience any failure to attract and retain competent personnels or any material increase in labour costs as a result of the shortage of skilled labour, our competitiveness and business would be damaged, thereby adversely affecting our financial condition and operating results. Further, if we fail to identify suitable replacements of our departed staff, our business and operation could be adversely affected and our future growth and expansions may be inhibited.

We may be unable to procure and/or handle further projects due to the limited capacity of our machinery and equipment and/or our machinery and equipment becoming obsolete as a result of technological developments in the construction industry

Our foundation works and ancillary services projects and construction wastes handling projects can be generally regarded as machinery intensive works. As such, our ability to handle existing projects or compete for new projects highly depends on the number of machinery and equipment available for deployment in construction sites. Our major machinery includes excavator/backhoes, crawler cranes, hydraulic rock breakers, hydraulic crawler drillers, piling rigs, lorries and air compressors during the Track Record Period. As

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such, we may be unable to procure and/or handle further projects should we fail to identify suitable machinery and equipment. For details of our machinery and equipment, please refer to the paragraph headed “Business – Machinery” of this prospectus.

Nevertheless, there can be no assurance that we would be able to acquire or rent sufficient number of machinery and equipment, at reasonable costs and in a timely manner, nor can we guarantee that they would function properly at all material times and they would not become obsolete as a result of technological developments in construction industry. We also cannot guarantee that we would be able to arrange immediate repair and/or replacement for our impaired machinery and equipment in a timely and cost-effective manner.

As a result, we may not be able to expand our capacity successfully in order to cope with the increasing demands expected from future projects. If we fail to do so, our ability to handle existing projects or compete for new projects may be significantly impaired, which would in turn affect our business, financial conditions and operating results.

We depend on our suppliers for construction materials and supplies, and any shortage or delay of supply, or deterioration in the quality, of the same could materially and adversely affect our operations, and we may not be able to identify an alternative source of stable supply with acceptable quality and price

We rely on our suppliers for stable and timely delivery of construction materials and supplies which should meet our customers’ specifications. For each of the three years ended 31 March 2015, our total purchase cost of construction materials and supplies amounted to approximately HK\$46,990,000, HK\$45,317,000 and HK\$52,075,000, respectively representing approximately 23.5%, 22.3% and 21.4% of our total cost of sales, respectively.

If there is any shortage of such materials or supplies, or material delay in delivery by our suppliers, or the delivered materials fail to comply with our customers’ specifications, such as the strength requirement, we may fail to complete our projects on time or at all. As a result, we may be required to pay liquidated damages to our customers. We cannot guarantee that we would be able to identify suitable alternative sources of supply with acceptable quality and price. Further, even if we could do so, there can be no assurance that we would not encounter similar problems with them in the future. In such event, our business reputation and financial results may be adversely affected.

If there is any deterioration in the quality of construction materials and supplies from our suppliers, and we are unable to identify suitable alternative sources, the progress and quality of our works could be materially and adversely affected, thereby damaging our business reputation and adversely affecting our financial results.

There is no guarantee that we would not be subject to any claims in relation to defects of our foundation works and ancillary services projects, which may result in further costs to remedy the defects, and/or deduction of the retention monies to be released and/or claims from our customers against us

As a common practice in the construction industry, we may be subject to claims in relation to defects of our works. In general, our customers require us to provide a defects liability period, during which we will remain responsible for any defects or imperfections discovered in relation to our works done. Such remedial actions may involve maintenance and repair works. In such circumstances, we might incur extra costs and time or be subject to

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claims from our customers against us. If we fail to remedy the defects as required, our customers may not only reduce or forfeit the retention monies withheld from us, but they may also claim damages against us.

If we fail to complete our works on time or at all, we may be liable to customers for breach of contract and be required to pay liquidated damages or other penalties

Generally, the subcontracts would set out the due date of the subcontract works. If we fail to complete the subcontract works by the due date, we may be required to compensate our customers according to the mechanism stated in the subcontracts, unless they agree to grant us extension to complete the remaining works.

There may be delay or disruption to our foundation works and ancillary services projects due to unforeseen circumstances that are beyond our expectation or control, including but not limited to: (i) unexpected geological and utilities conditions in the underground of the work sites; (ii) unfavourable weather conditions; and/or (iii) other construction risks such as work injuries and disputes with our customers, suppliers, subcontractors and other project parties.

As such, we cannot guarantee that we will complete every project on time or at all, nor can we assure you that our customers would grant us sufficient time extensions in case of delay in completion. If we fail to complete foundation works and ancillary services projects on time, significant amount of liquidation damages or other penalties may be imposed upon us, which would in turn adversely affect our profitability and operating results.

We have records of non-compliance with certain Hong Kong regulatory requirements which could lead to the imposition of fines

There have been a number of instances of non-compliance with certain Hong Kong regulatory requirements on various occasions by our Group. These include, among others: (i) non-compliance of/convictions against our Group in relation to its business operation; (ii) non-compliance with certain statutory requirements in the Companies Ordinance and Predecessor Companies Ordinance in respect of matters such as timely adoption of audited accounts, late filing/non-filing of annual returns and various forms of notice, late stamping of share transfer documents; and (iii) non-compliance with Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) in respect of failure to enrol its two Directors in a Mandatory Provident Fund scheme during the period from November 2012 to October 2014 and from November 2012 to February 2013, respectively. For details, please refer to the paragraph headed “Business – Legal and regulatory compliance – Non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date” of this prospectus.

If the relevant Government authorities take enforcement actions against our executive Directors or Group members, and/or our Controlling Shareholders fail to indemnify us to a sufficient extent or at all, we may be required to pay certain penalties, and our reputation, cash flow and results of operations may be adversely affected.

Our insurance may not cover all potential loss and claims, and any uninsured losses incurred could be substantial and therefore adversely affect our operations and financial results

Insurance may not fully cover all potential loss and claims arising from our operation. For foundation works and ancillary services projects and construction wastes handling

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projects, typical claims such as accidents and personal injuries suffered by our workers are generally covered by the insurance policy maintained by the main contractors of the construction projects. As to our machinery deployed in the work sites, we are generally required to maintain our own insurance policy. For details, please refer to the paragraph headed “Business – Insurance” of this prospectus.

Nevertheless, we and/or our officers (as the case may be) may be exposed to claims in respect to matters that are not covered by any insurance policies we maintained. In addition, there may be circumstances (such as fraud, gross negligence, natural disasters and acts of God) in which certain loss and claims would not be covered adequately by the insurance policies we maintained, or at all.

In the event that we experience substantial loss, damages or claims arising from our operation at work sites which are not covered by the insurance policies, we may have to incur tremendous expenditure in making compensations, which would adversely affect our operating results and financial position.

With respect to loss and claims which are covered by insurance policies, it may be a difficult and lengthy process to recover such losses from insurers. In addition, we may not be able to recover the full amount of such loss from the insurers. There can be no assurance that insurance policies would be sufficient to cover all potential loss, regardless of the cause, or that we can recover such losses from the insurers.

We plan to consolidate and expand our service capacity by acquiring additional machinery and equipment, and such expansion may result in increase in depreciation expenses and may adversely affect our operating results and financial position

During the Track Record Period, (i) our Group acquired new machinery and equipment of approximately HK\$13,723,000, HK\$7,790,000 and HK\$28,688,000, respectively; and (ii) the depreciation expenses related to our owned plant and equipment and leased plant and equipment (under finance leases) recorded under cost of sales amounted to approximately HK\$12,442,000, HK\$12,583,000 and HK\$13,354,000, respectively. In order to consolidate and expand our service capacity, we intend to apply approximately 60.1% of the net proceeds from the Listing to expand our fleet of machinery and equipment. For details as to the type of machinery and equipment to be purchased, please refer to the section headed “Future Plans and Use of Proceeds”. With the intended acquisition of additional machinery and equipment, it is expected that additional depreciation will be reflected in our profit and loss and will adversely affect our financial performance and operating results.

We may require additional capital in the future, which may not be available on favourable terms or at all

We may require additional funding due to changes in business conditions, expansion in our existing fleet of machinery and equipment or potential investments or acquisitions that we may pursue. To meet our capital needs, we may sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity securities could result in dilution of our Shareholder’s holdings in our Company. In addition, the incurrence of further indebtedness may result in increase in debt service obligations and the lender may require us to agree on operating and financial covenants that may restrict our operations. Furthermore, financing may not be available in amounts or on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms favourable to us, or at all, could limit our ability to expand our business operations and could harm our overall business prospects.

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Our Company is a holding company and therefore, our Company's ability to pay dividends or make any other distributions depends entirely on the distributions received from its subsidiaries, and if there is any restriction against our subsidiaries to make distributions, we may not be able to pay any dividend

Our Company is a holding company and our operating results and financial position entirely depends on the performance of the members of our Group. Our Company's ability to pay dividends will depend on the level of distributions, if any, received from our subsidiaries. The ability of our subsidiaries to make distributions to us may, from time to time, be restricted as a result of several factors, including foreign exchange limitations, the requirements of applicable laws, and regulatory, fiscal or other restrictions of the countries in which our subsidiaries operate.

There is no assurance that we will pay dividends in the future

The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. For details of our dividend policy, please refer to the paragraph headed "Financial Information – Dividends and dividend policy" of this prospectus. We cannot assure investors when or whether we will pay dividends in the future.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Any deterioration in the prevailing market conditions in the construction industry may adversely affect our performance and financial condition

During the Track Record Period, all our business operations are located in Hong Kong. Our direct customers are primarily the main contractors of various types of property development or civil engineering projects in Hong Kong, whose owners are our ultimate customers. The number of projects awarded to us depend highly on the prevailing market conditions in the construction industry, including shortage of skilled labour; economic fluctuations in Hong Kong, availability of new projects in the private sector; and general conditions and development of Hong Kong economy. If there is any significant deterioration in any of these factors, our operating results and financial conditions could be adversely affected.

We operate in a highly competitive market

As of August 2015, there were about 40 contractors on the list of approved suppliers of materials and specialist contractors for public works under the land piling category of the Development Bureau, about 136 companies on the list of Specialist Contractors (Sub-register of Foundation Works Category) of the Buildings Department, and about 13 companies on the Housing Authority List of Piling Contractors.

Some of our competitors may have certain advantages, including stronger brand names, greater access to capital, longer operating history, longer and more established relationship with main contractors, and greater marketing and other forms of resources. Further, new participants may enter the industry provided that they possess all the various licences and qualifications required.

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Changes in existing laws, regulations and Government policies, including but not limited to the introduction of more stringent laws and regulations on environmental protection and labour safety may cause us to incur substantial additional expenditure

Many aspects of our business operations are governed by various laws and regulations, and Government policies. The requirements in respect of the operations in the construction industry may change from time to time, and we may not be able to respond to such changes in a timely manner. Such changes may also increase our costs and burden in complying with them, which may materially and adversely affect our business, financial condition and results of operations. For example, if there are any changes to and/or imposition of the requirements for qualification in the construction industry in relation to environment protection and labour safety and we fail to meet the new requirements in a timely manner or at all, our business operations will be materially and adversely affected.

RISKS RELATING TO HONG KONG

The state of economy in Hong Kong may adversely affect our performance and financial condition

All of our revenue during the Track Record Period was derived from foundation works and ancillary services projects and construction wastes handling projects in Hong Kong. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

The state of political environment in Hong Kong may adversely affect our performance and financial condition

Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of “one country, two systems” according to the Basic Law of Hong Kong. However, we are not in any position to guarantee the implementation of the “one country, two systems” principle and the level of autonomy as currently in place at the moment. Since all of our operations are based in Hong Kong, any change of such political arrangements may pose immediate threat to the stability of the Hong Kong economy, thereby directly and adversely affecting our results of operations and financial positions.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for the Shares and an active trading market for the Shares may not develop or be sustained

Prior to the Share Offer, no public market for the Shares existed. Following the completion of the Share Offer, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure our investors that an active trading market for the Shares will be developed or be sustained after the Share Offer. In addition, we cannot assure our investors that the Shares will trade in the public market subsequent to the Share Offer at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by the Price Determination Agreement, and may not be indicative of the market price of the Shares following the completion of the Share Offer. If an active trading market for the Shares does

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not develop or is not sustained after the Share Offer, the market price and liquidity of the Shares could be materially and adversely affected.

The trading price and volume of the Shares may be volatile, which could result in substantial loss to our investors

The trading price of the Shares may be volatile and could fluctuate widely in response to factors beyond our control, including variations in the level of liquidity of the Shares, changes in securities analysts' (if any) estimates of our financial performance, investors' perceptions of our Group and the general investment environment, changes in laws, regulations and taxation systems which affect our operations, and general market conditions of the securities markets in Hong Kong. In particular, the trading price performance of our competitors whose securities are listed on the Stock Exchange may affect trading price of the Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow, success or failure of our efforts in implementing business and growth strategies and involvement in material litigation as well as recruitment or departure of key personnel, could cause the market price of the Shares to change unexpectedly. Any of these factors may result in large and sudden changes in the volume and trading price of the Shares.

Since there will be a gap of several days between pricing and trading of the Offer Shares, holders of the Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of the Offer Shares begins. The Offer Price of the Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until the Listing Date. As a result, investors may not be able to sell or otherwise deal in the Shares during the period between the Price Determination Date and the Listing Date.

Accordingly, holders of the Shares are subject to the risk that the price of the Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time of trading begins.

Investors for the Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The Offer Price is higher than the net tangible asset value per Share. Therefore, investors of the Offer Shares will experience an immediate dilution in the unaudited pro forma adjusted net tangible asset value to HK\$0.06 per Share or HK\$0.07 per Share based on the Offer Price at HK\$0.22 per Offer Share (being the low-end of the proposed Offer Price range) or HK\$0.28 per Share (being the high-end of the proposed Offer Price range), respectively.

We may need to raise additional funds due to changes in business conditions, or to finance our future plans, whether in relation to our existing operations, or any acquisitions. If additional funds are raised by way of issuing Shares or equity-linked securities other than on a pro-rata basis to existing Shareholders, shareholding percentage of our existing Shareholders may be reduced, the earnings per Share and the net tangible asset value per Shares would diminish and/or such newly issued securities may have rights, preferences and privileges superior to those of the Shares of the existing Shareholders.

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Future disposal or perceived disposal by the existing Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares

Disposal of substantial amounts of the Shares in the public market after the completion of the Share Offer or the perception that disposal could occur, could adversely affect the market price of the Shares and could materially impair our future ability to raise capital through offerings of the Shares. There is no assurance that the major Shareholders would not dispose of their shareholdings. Any significant disposal of the Shares by any of the major Shareholders may materially affect the prevailing market price of the Shares. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we consider appropriate, thereby limiting our ability to raise further capital. We cannot predict the effect of any significant future disposal on the market price of the Shares.

The interests of the Controlling Shareholders may not always coincide with the interest of our Group and those of the other Shareholders

The Controlling Shareholders have significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires by virtue of their shareholding in our Group. The interests of the Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of the Controlling Shareholders conflict with the interests of other Shareholders, or if any of the Controlling Shareholders chooses to cause our Group's business to pursue strategic objectives that conflict with the interests of other Shareholders, our Group or those other Shareholders' interests may be adversely affected as a result.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

Investors should read the entire prospectus and should not rely on any information contained in press articles or other media coverage regarding us and the Share Offer

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us and the Share Offer. Prior to the publication of this prospectus, there may be press and media coverage regarding the Share Offer and us. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecast and other statistics in this prospectus obtained from publicly available sources have not been independently verified and may not be reliable

Certain facts, forecast and other statistics in this prospectus have been derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said

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information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers or representatives or any other person or party involved in the Share Offer. Therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would”, “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed “Risk Factors” of this prospectus. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong and the Listing Rules for the purpose of giving our information to the public with regard to us. Our Directors, having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this prospectus or any statement herein misleading.

UNDERWRITING AND INFORMATION ON THE SHARE OFFER

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer. The Share Offer comprises the Public Offer of 57,200,000 Shares initially offered and the Placing of 514,800,000 Shares (comprising 228,800,000 new Shares and 286,000,000 Sale Shares initially offered by our Company and the Vendor, respectively) initially offered (subject, in each case, to reallocation on the basis under the section headed "Structure of the Share Offer" of this prospectus).

The listing of our Shares on the Stock Exchange is sponsored by the Sponsor. Pursuant to the Public Offer Underwriting Agreement, the Public Offer is underwritten by the Public Offer Underwriters on a conditional basis, with one of the conditions being that the Offer Price is agreed between the Joint Lead Managers (for themselves and on behalf of the Joint Bookrunners and the other Public Offer Underwriters) and our Company (for ourselves and on behalf of the Vendor). The Placing Underwriting Agreement is expected to be entered into on or about Friday, 28 August 2015, subject to agreement on the Offer Price between the Joint Lead Managers (for themselves and on behalf of the Joint Bookrunners and the Underwriters) and our Company (for ourselves and on behalf of the Vendor). Further details of the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" of this prospectus.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, advisers or representatives or any other person involved in the Share Offer.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus, and the procedures for applying for our Shares are set out in the section headed "How to Apply for the Public Offer Shares" of this prospectus and on the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

RESTRICTIONS ON OFFER AND SALE OF THE SHARES

No action has been taken to permit a public offer of the Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Shares under the Public Offer will be required to confirm, or be deemed by his acquisition of the Shares to confirm, that he is aware of the restrictions on offers and sales of the Shares in this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Share Offer and upon the exercise of the options to be granted under the Share Option Scheme.

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Wednesday, 2 September 2015. Except for our pending application to the Stock Exchange for the listing of and permission to deal in, the Shares, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

The Shares will be traded in board lots of 10,000 Shares. The stock code of the Shares is 1499.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is rejected before the expiration of three weeks from the date of the closing of the subscription application, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. It is emphasised that none of us, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, advisers or representatives or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Shares or exercising any rights attached to them.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

SHARE REGISTER AND STAMP DUTY

All the Shares issued pursuant to applications made in the Public Offer and the Placing will be registered on the branch register of members of our Company maintained by our branch share registrar in Hong Kong, Union Registrars Limited. Our Company's principal register of members will be maintained by our principal registrar, Appleby Trust (Cayman) Ltd. in the Cayman Islands or at the office of such principal share registrar in the Cayman Islands as we may from time to time appoint.

Dealings in the Shares registered in the register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. However, the translated English names of the entities, departments, facilities, certificates, titles, laws, regulations and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one, two or three decimal places. Any discrepancies between totals and sums of amounts listed in any table are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Ip Ying Chau 葉應洲	Flat B, 13th Floor, Tower 6A Imperial Cullinan 10 Hoi Fai Road Tai Kok Tsui Kowloon Hong Kong	Chinese
Mr. Chan Wing Chung 陳永忠	Flat C, 56th Floor, Block 3 The Grandiose 9 Tung Chun Street Tseung Kwan O New Territories Hong Kong	Chinese
Ms. Tung Ah Pui Athena 董亞蓓	Flat B, 13th Floor, Tower 6A Imperial Cullinan 10 Hoi Fai Road Tai Kok Tsui Kowloon Hong Kong	Chinese
Mr. Chan Chiang Kan 陳獎勤	Flat 12, 26th Floor Yat Sang House Siu Hin Court Tuen Mun New Territories Hong Kong	Chinese
Independent Non-executive Directors		
Mr. Cheung Kwok Yan Wilfred 張國仁	Room 2, 2nd Floor, Block C Elite Villa 15-17 Tat Chee Avenue Yau Yat Tsuen Kowloon Hong Kong	Chinese
Mr. Feng Zhidong 馮志東	Flat B, 14th Floor, Avery House Tai Yuen Street Wanchai Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Residential Address	Nationality
Mr. Ho Ho Ming 何昊洛	Flat E, 40th Floor, Canary Side 8 Shung Shun Street Yau Tong Kowloon Hong Kong	Chinese

Please refer to the section headed “Directors, Senior Management and Staff” of this prospectus for further details.

PARTIES INVOLVED

Sponsor

TC Capital Asia Limited

Suites 1903–1904, 19th Floor
Tower 6, The Gateway
Harbour City
9 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

(A licensed corporation carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)

Joint Bookrunners and Joint Lead Managers

CNI Securities Group Limited

10th Floor, Sun’s Group Centre
200 Gloucester Road
Wanchai, Hong Kong

(A licensed corporation carrying on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities under the SFO)

TC Capital Asia Limited

Suites 1903–1904, 19th Floor
Tower 6, The Gateway
Harbour City
9 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

(A licensed corporation carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal adviser to our Company	<p><i>as to the Hong Kong law</i> Loong & Yeung Suites 2001-2006, 20th Floor Jardine House 1 Connaught Place Central, Hong Kong <i>(Solicitors of Hong Kong)</i></p> <p><i>as to the Cayman Islands law</i> Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong <i>(Cayman Islands attorneys-at-law)</i></p>
Legal adviser to the Sponsor and the Underwriters	<p><i>as to the Hong Kong law</i> D. S. Cheung & Co. 29th Floor, Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong <i>(Solicitors of Hong Kong)</i></p>
Reporting accountants	<p>HLB Hodgson Impey Cheng Limited 31st Floor, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong <i>(Certified Public Accountants)</i></p>
Receiving bank	<p>Standard Chartered Bank (Hong Kong) Limited 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong, Kowloon. Hong Kong</p>
Vendor	<p>Grand Jade Group Limited NovaSage Chambers P.O. Box 4389 Road Town Tortola British Virgin Island</p>

CORPORATE INFORMATION

Registered office in the Cayman Islands	Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarter and principal office of business in Hong Kong registered under Part 16 of the Companies Ordinance	Units 2701-02, 27th Floor, Win Plaza 9 Sheung Hei Street San Po Kong Kowloon Hong Kong
Company's website	www.leapholdings.hk <i>(information on this website does not form part of this prospectus)</i>
Company secretary	Ms. So Hau Kit, ACIS, ACS Suites 2001-2006, 20th Floor Jardine House 1 Connaught Place Central, Hong Kong
Authorised representatives	Mr. Ip Ying Chau Flat B, 13th Floor, Tower 6A Imperial Cullinan 10 Hoi Fai Road Tai Kok Tsui Kowloon Hong Kong Ms. Tung Ah Pui Athena Flat B, 13th Floor, Tower 6A Imperial Cullinan 10 Hoi Fai Road Tai Kok Tsui Kowloon Hong Kong
Audit committee	Mr. Cheung Kwok Yan Wilfred (<i>Chairman</i>) Mr. Feng Zhidong Mr. Ho Ho Ming
Remuneration committee	Mr. Feng Zhidong (<i>Chairman</i>) Mr. Ip Ying Chau Mr. Ho Ho Ming

CORPORATE INFORMATION

Nomination committee	Mr. Ip Ying Chau (<i>Chairman</i>) Mr. Ho Ho Ming Mr. Feng Zhidong
Cayman Islands principal share registrar and transfer office	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong Share Registrar	Union Registrars Limited A18/F., Asia Orient Tower Town Place 33 Lockhart Road Wanchai Hong Kong
Compliance adviser	TC Capital Asia Limited Suites 1903-1904, 19th Floor Tower 6, The Gateway Harbour City 9 Canton Road Tsim Sha Tsui Kowloon Hong Kong
Principal banks	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong DBS Bank (Hong Kong) Limited 16th Floor, The Centre 99 Queen's Road Central Central, Hong Kong

INDUSTRY OVERVIEW

The information set forth in this section has been derived from the Ipsos Report. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is materially false or misleading, and no fact has been omitted that would render such information materially false or misleading. However, the information has not been independently verified by us, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of the respective directors, officers, employees, advisers, agents or representatives or any other party involved in the Share Offer and no representation is given as to its accuracy. Except as otherwise stated, all the data and forecast in this section are derived from the Ipsos Report.

SOURCE OF INFORMATION

We commissioned an independent professional market research company, Ipsos, to assess the industry development trends, market demand and competitive landscape of foundation works and construction waste handling services in Hong Kong, at a fee of HK\$398,000 and our Directors consider that such fee reflects market rates. Ipsos is an independent market research company and consulting company which conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence and which has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Founded in Paris, France in 1975 and publicly-listed on the NYSE Euronext Paris since 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the acquisition, Ipsos became one of the largest market research and consulting companies in the world, which employs approximately 16,000 personnel worldwide across 85 countries.

The information contained in the Ipsos Report is derived by means of data and intelligence gathering such as: (i) desk research; (ii) client consultation to understand the background information about our Company; and (iii) primary research by interviewing key stakeholders and industry experts including but not limited to foundation works service providers and companies providing such services. Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, information gathered can be cross-referenced to ensure accuracy. Nevertheless, we cannot assure you regarding the accuracy or completeness of the factors, forecasts and statistics in this prospectus obtained from sources such as government publications, market data providers and the Ipsos Report.

Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE MACRO-ECONOMIC ENVIRONMENT IN HONG KONG

GDP value in Hong Kong increased from around HK\$1,846.1 billion in 2010 to around HK\$2,070.8 billion in 2014, at a CAGR of 2.9%.

Benefitting from the China's economic boom and the global economic recovery from the global financial crisis in 2008, Hong Kong's GDP recovered to around HK\$1,846.1 billion, at a growth rate of 6.8%. From 2011 to 2012, the GDP growth rate in Hong Kong dropped to

INDUSTRY OVERVIEW

4.8% and 1.5%, respectively, due to the faltering recovery from the European sovereign debt crisis. In 2013, attributed to the rising domestic demand and increasing number of Chinese tourists, Hong Kong's GDP growth rate achieved a moderate growth of 2.9%, in spite of the adverse impact of the European economic recovery. Hong Kong's 2014 GDP growth rate experienced a downward pressure from the decline in tourists' spending and weaker domestic consumption, lowering to 2.4%.

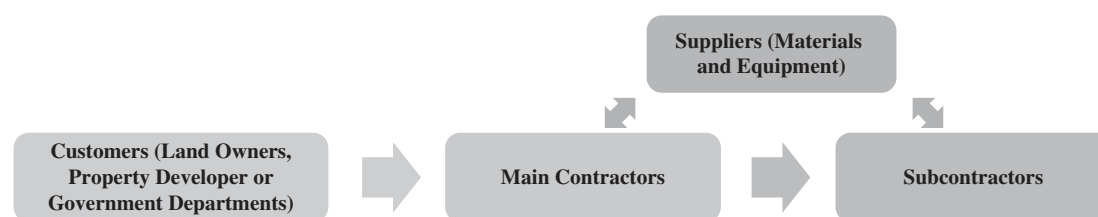
According to the Ipsos Report, it is forecast that the GDP value in Hong Kong will increase from around HK\$2,137.0 billion in 2015 to around HK\$2,440.1 billion in 2019, representing a CAGR of 3.4%. The GDP growth rate in Hong Kong during this period will slightly fluctuate between 3.2% and 3.7%, supported by the favourable export value due to the global economic recovery and continued rise in capital inflow from China.

MARKET OVERVIEW OF THE CONSTRUCTION INDUSTRY IN HONG KONG

According to the "2015–2016 Budget Speech", the Government spent around HK\$73.9 billion on infrastructure projects including the Hong Kong-Macau-Zhuhai Bridge Related Hong Kong Projects, Central-Wan Chai Bypass Project, Guangzhou-Shenzhen-Hong Kong Express Rail Link and Liantang Boundary Control Point. These projects are expected to fuel the growth of the industry.

The total gross output value of construction works in Hong Kong performed by both main contractors and subcontractors at construction sites amounted to about HK\$154.4 billion in 2014, of which 78.7% of the total gross output value of construction works in Hong Kong was contributed by main contractors. With regard to the segmentation of the construction industry, the industry in Hong Kong can be separated in three categories, namely building construction, civil engineering as well as foundation construction.

Supply chain typically involves four major groups of participants



Customers

Land owners, property developers, and the Government departments are typically the customers to the main contractors in the construction industry. In other words, construction projects are often initiated by these parties. For the private sector, for instance, land owners and property developers obtain land sites through public auctions and then develop residential buildings, commercial buildings or industrial buildings afterwards, by commissioning projects to main contractors.

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Main Contractors

After obtaining projects from customers, the main contractors will start to perform construction works depending on the nature of the project.

Subcontractors

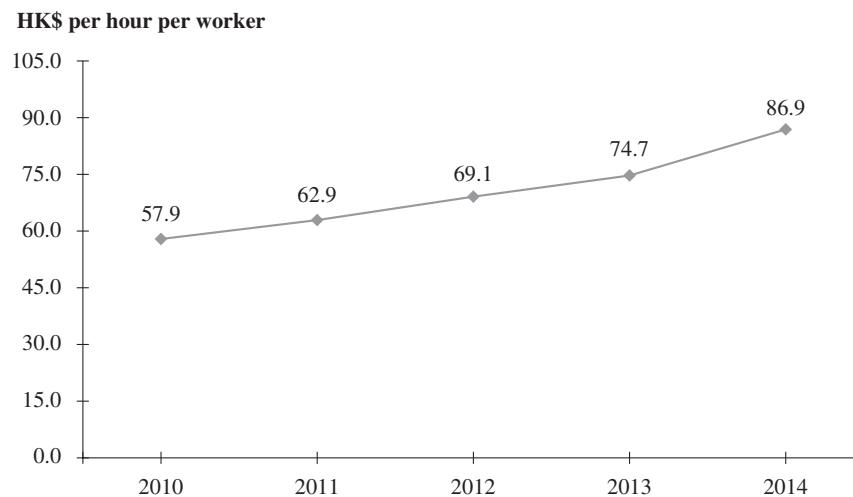
Given the scope of the project or the skillset required, the main contractors may consider outsourcing part of the construction works to some subcontractors depending on their expertise and experiences in the field.

Suppliers

Suppliers are usually manufacturers, trading service providers and/or rental service providers. While machinery trading service providers usually trade 2 to 3 types of machinery of about 3 to 5 brands with main contractors and/or subcontractors, machinery rental service providers usually rent out high cost machineries to their customers.

Average wage trend for construction workers in Hong Kong

The chart below shows the average wage of construction worker per hour between 2010 and 2014:

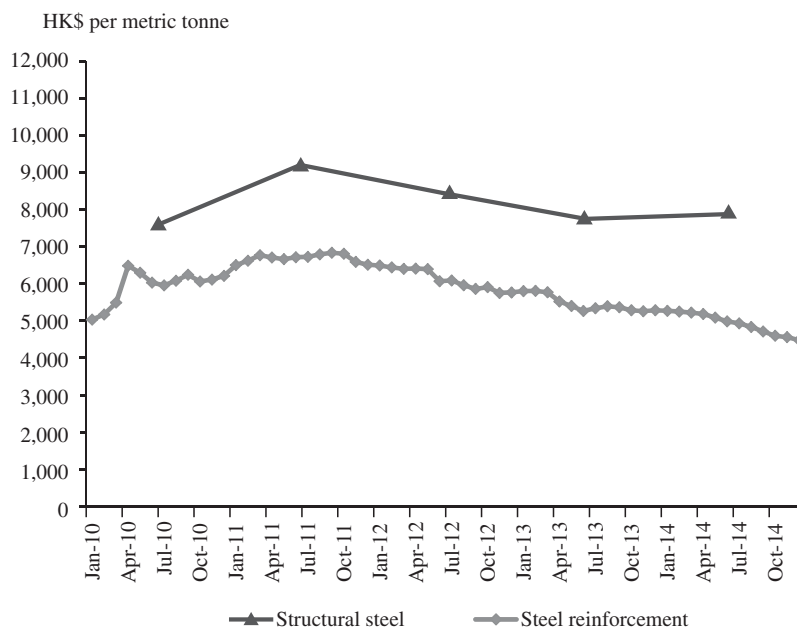


The upward trend of the average wage of construction workers in Hong Kong from 2010 to 2014 was the result of the shortage of construction workers in the market and the robust demand for construction workers. Moreover, as 44.4% of the current construction workers are either aged 50 or above, who have more than 10-year working experience and are about to retire in the near future, the shortage of skilled labour would be worsened in the coming years. The upward wage trend of construction cost also led to the rise of construction cost. To partly compensate the rising construction cost, contractors raise the average project fee accordingly.

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Price trend of key raw construction materials in Hong Kong

The chart below shows the price trend of steel reinforcement and structural steel in Hong Kong between 2010 and 2014:



Steel reinforcement

Mostly driven by the strong construction demand in Hong Kong, the average price of steel reinforcements reached a record high of about HK\$6,595 per metric tonne in September 2011.

However, from September 2011 to the December 2014, the worsening European economy and the tightened monetary policy implemented in China brought difficulty in financing, decreasing the demand for steel reinforcements from downstream industries. Therefore, during the period, the average price of steel reinforcements in Hong Kong started to fall continuously by about 34.1%.

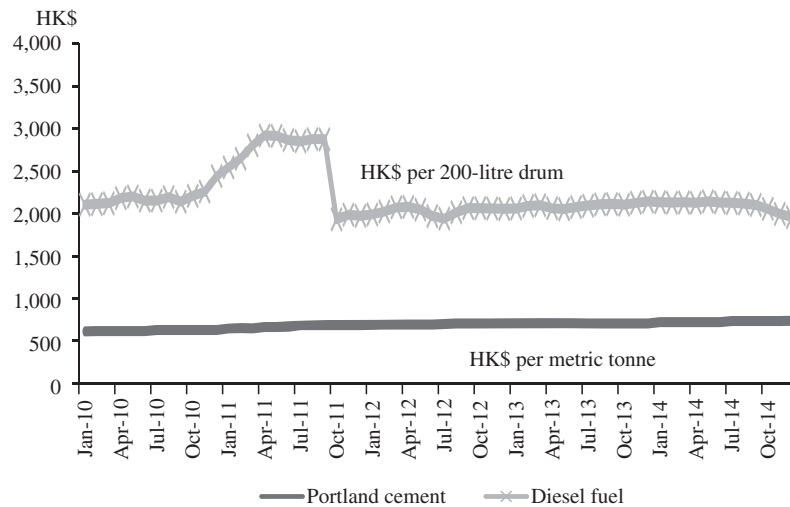
Structural steel

The average wholesale price of imported structural steel peaked at about HK\$9,285 per metric tonne in 2011, which was attributed to the increased prices of its raw materials, namely, iron ore and coking coal. From 2010 to 2011, the prices of iron ore increased by 21.3% as the global economy recovered from the 2008 financial crisis. Meanwhile, from 2010 to 2012, the price level of coking coal remained at a high of about US\$200 per metric tonne. This had contributed to the stable high prices of imported structural steel in Hong Kong during the period.

The average wholesale price of imported structural steel in Hong Kong declined from around HK\$9,285 per metric tonne in 2011 to about HK\$7,819 per metric tonne in 2013, by an estimated CAGR of -8.2%. The price drop was due to the declined global prices of iron ore and the global oversupply of steel during that period.

INDUSTRY OVERVIEW

The chart below shows the price trend of cement and diesel fuel in Hong Kong between 2010 and 2014:



Cement

The average wholesale price of cement reached lowest in 2010, which was due to the lingering effect of the 2008 global financial crisis and the decreasing demand for cement. The continual appreciation of the RMB has led to the increase in commodity prices, inflation rates in Hong Kong, and demand for construction works in Hong Kong, Macau and China. As a result, the average wholesale price of cement in Hong Kong has continued to increase.

Diesel fuel

From November 2010 to May 2011, the average wholesale price of diesel fuel rose sharply from around HK\$2,257 per 200-litre drum to about HK\$2,916 per 200-litre drum, an increment of about 29.2%. The significant price growth was mainly caused by the instability in oil-producing Libya and the appreciation of the US dollars.

However, from September 2011 to October 2011, the worsening European debt crisis has led to the sharp decrease in the average wholesale price of diesel fuel in Hong Kong.

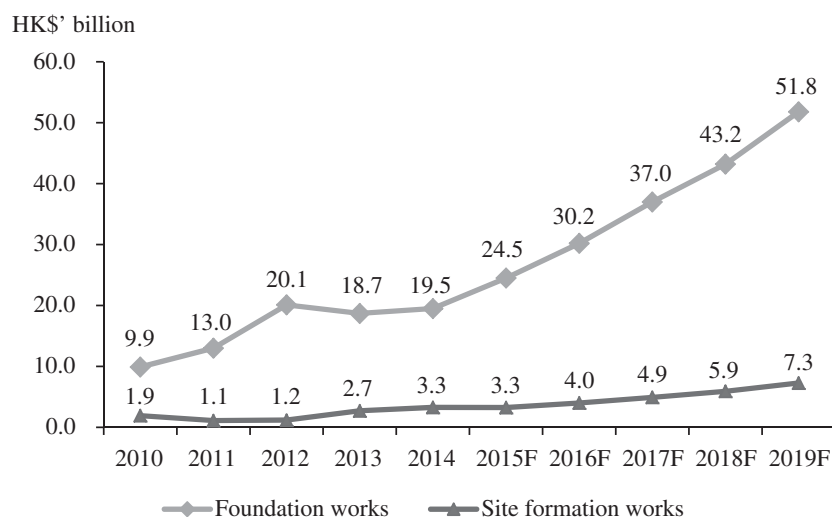
OVERVIEW OF FOUNDATION INDUSTRY IN HONG KONG

Gross output value of foundation industry in Hong Kong

Foundation works generally include site formation, ELS works, excavation and piling works. Site formation works are conducted to excavate sloping land, prevent and remedy landslip and/or to drain ground water, so that construction works can be facilitated afterwards. Meanwhile, ELS works help retain the lateral forces from soils or water, so that excavation can be done and permanent structures can be constructed underground.

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The chart below shows the gross output value (or revenue) of foundation and site formation industry in Hong Kong between 2010 and 2014 and its forecast from 2015 to 2019:



From 2010 to 2014, the revenue of the foundation industry in Hong Kong grew significantly from about HK\$9.9 billion to about HK\$19.5 billion, at a CAGR of 14.5%. Given that development projects normally begin with their foundation structure, the growth of the foundation industry directly reflects that of the construction industry. From 2010 to 2014, the Ten Major Infrastructure Projects in the public sector had been the main contributor to the growth of the foundation industry. As a result of the completion of the foundation works of some of these infrastructure projects including the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link in early 2013, the revenue of the foundation industry slightly dropped in 2013 but rebounded in 2014 because of the ongoing transportation infrastructure projects.

The foundation industry is expected to experience an annual revenue growth from 2015 to 2019, from about HK\$24.5 billion to HK\$51.8 billion, at a CAGR of 20.6%. The expected revenue growth is attributed to the increase in public expenditure on infrastructure, as well as new public projects such as the new development projects in the eastern and northern parts of the New Territories, the Wan Chai Development project, new MTR lines and MTR extension projects during the period.

In addition, the expected increase in the demand for residential and commercial buildings also contributes to the expected revenue growth. With the housing market continues to be hyperactive because of high property investments and a growing population, it is expected that housing supply will increase at a faster pace, increasing the demand for foundation works. According to the 2015 Policy Address, about 14,600 flats are expected to be produced by the private sector annually in the coming five years, as compared with about 11,400 flats annually in the past five years. Meanwhile, there were about 167,280 newly registered local companies in 2014, as compared with about 139,530 companies in 2010.

On the other hand, the gross output value of site formation grew from around HK\$1.9 billion in 2010 to around HK\$3.3 billion in 2014, indicating a CAGR of 14.8%.

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It is estimated that the gross output value of site formation will increase from around HK\$3.3 billion in 2015 to around HK\$7.3 billion in Hong Kong in 2019, at a CAGR of 22.0%, because of the increasing demand for slope construction and maintenance, and site preparation works for the construction of infrastructure and residential buildings, given the Government policies which aim to increase the land supply and land reserve in areas such as the New Territories.

OVERVIEW OF THE C&D WASTE HANDLING INDUSTRY IN HONG KONG

In the past, when the materials were scarce and expensive in comparison to labour costs, large amount of construction and demolition materials had been salvaged and reused through rehabilitation and reclamation. With the prosperity and rapid development of Hong Kong, the industry had become less concerned on conservation of natural resources. These resources were drained away as waste and required extra expense and resources to handle and accommodate. For instance, the C&D waste made up 68% of total solid waste processed by landfills in 1991 and even the lowest reaching 23% during 2007 and 2009.

To tackle the large amount of solid waste generated from construction activities, the Government has issued a series of construction waste management policies in the last twenty years. One of the most significant policies is the launch of an off-site construction waste sorting (“CWS”) programme based on the “polluter pays principle”. Since its implementation in 2006, the off-site CWS programme had contributed considerably to construction waste minimisation by hitherto separating 5.1 million metric tonnes of construction waste in total up to February 2012. In this programme, C&D materials are sorted and disposed of at public filling areas or mixed sorting facilities or landfills depending on the type of C&D materials.

Although there had been reduction in C&D material generation from 2006 to 2007 after the CWS programme was implemented, the generation has picked up again from about 12.5 million metric tonnes in 2010 to about 14.4 million metric tonnes in 2014. And the generation of C&D material is expected to increase continuously as more mega-projects, such as the Express Rail Link, the expansion of the third runway at Hong Kong International Airport, the Ten Major Infrastructure Projects and development of the West Kowloon Culture District, are yet to be completed.

Role of C&D waste disposal facilities for the construction industry in Hong Kong

There are four types of C&D waste disposal facilities in Hong Kong, namely public fill facilities, sorting facilities, landfills and outlying islands transferring facilities. Each type of facility will only accept C&D materials that meet certain criteria.

Public fill facilities

Public fill facilities accept C&D materials consisting entirely of inert construction waste. The inert construction waste can be further used for land reclamation and site formation after disposal. Public fill facilities include public filling areas, public filling barging points, public fill stockpiling areas, fill banks and C&D materials recycling facility. Particularly, public filling areas are designated part of a development project that accepts public fill for reclamation purpose; public filling barging points are strategically located public fill reception facilities that utilise barge transportation to transfer public fill; public fill stockpiling areas are newly reclaimed land where public fill is stockpiled as surcharging material to accelerate the settlement process. Moreover, fill banks are areas allocated for

INDUSTRY OVERVIEW

temporary stockpile of public fill for later use; C&D materials recycling facilities are facilities that process hard inert materials into recycled aggregates and granular materials for use in future construction activities.

Sorting facilities

To maximise the service efficiency, sorting facilities accept mixed C&D materials containing more than 50% by weight of inert construction waste. This arrangement helps waste producers, particularly small construction sites that do not have enough space, to carry out on-site sorting.

In the current practice, the sorting facilities will use two measures determining whether the C&D materials are able to meet the criteria. The measures include weight ratio and depth of waste. With these two indicators, the sorting facilities will calculate and justify whether the incoming material contains more than 50% of inert C&D materials by weight. Once the waste meets the criteria, it can be accepted for further processing. It should be highlighted that after going through all the sorting processes, the mixed construction waste can be eventually sorted into two piles, namely, inert materials and non-inert materials. The inert materials will be sent to the public fill reception facilities while the non-inert ones will be landfilled.

Landfills

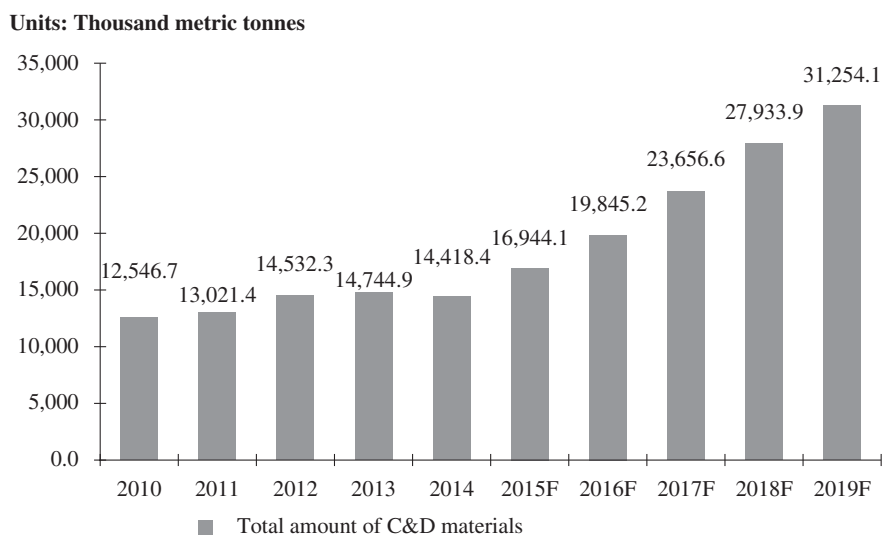
Landfills accept mixed C&D waste containing no more than 50% by weight of inert construction waste can be disposed of at strategic landfills.

Outlying islands transferring facilities

Outlying islands transferring facilities accept any percentage of inert C&D waste, and are responsible for transferring C&D waste from outlying islands to waste disposal facilities.

Total amount of C&D materials disposed of in Hong Kong

The chart below shows the total amount of C&D materials disposed of in Hong Kong between 2010 and 2014 and its forecast from 2015 to 2019:



INDUSTRY OVERVIEW

The upward trend of the total weight of C&D material was mainly attributed to the thriving construction activities from 2010 to 2014. The booming construction industry necessarily gave rise to the increasing generation of C&D materials arising from site clearance, excavation, construction, refurbishment, renovation, demolition and road works. During 2010 to 2014, the total output value of construction works performed by main contractors rose from about HK\$61.5 billion to about HK\$121.5 billion a year, causing the increasing amount of C&D material over the years.

Total charge for accepting all construction and demolition materials in 2014 was about HK\$557.4 million; specifically the total charge for public fill reception facilities was about HK\$339.0 million, followed by landfills which totally charged for HK\$159.1 million in 2014. Sorting facilities charged for HK\$58.1 million in total while only about HK\$1.2 million was coming from the outlying islands transfer facilities.

It is expected that the total amount of C&D waste will increase at a CAGR of approximately 16.5% from around 16,944.1 thousand metric tonnes to around 31,254.1 thousand metric tonnes between 2015 and 2019. The upward movement is attributed to the anticipated increase in the amount of construction works, evidenced by the expected rise in a number of indicators such as the total gross floor area of building construction, amount of construction projects and demolition works from 2015 to 2019.

COMPETITIVE LANDSCAPE

Credibility, relationships with working parties, quality of project management, project pricing and safety records are the determinants of competitiveness of a foundation contractor in Hong Kong.

The overall foundation industry is consolidated as the top 5 players contribute about 48.5% to the total revenue of the foundation industry in Hong Kong in 2014 with revenue each ranged from approximately HK\$1,110 million to HK\$3,192 million and in aggregate had a market share of approximately 48.5% for 2014. They focus on foundation works that use large diameter bored pile (with bell-out), rock-socketed steel H-pile in pre-bored hole, steel H-pile, mini-pile and precast pre-stressed tubular pile. The top five subcontractors in the foundation industry, with revenue each ranged from approximately HK\$241 million to HK\$554 million, in aggregate had a market share of approximately 8.7% of the overall foundation industry for 2014. Our Group contributed to approximately 1.3% in revenue to the foundation industry and ranked fourth among the subcontractors in the foundation industry in 2014.

Project pricing and relationship with customers are the main determinants of competitiveness of a construction wastes handling contractor in Hong Kong.

The construction wastes handling industry is relatively small in size compared to other types of construction works. There have been around 10 active contractors tendering for construction wastes handling contracts. In 2014, there was only one subcontractor winning a contract for the sorting of C&D materials. In this sense, the market is dominated by the active contractors. Our Group contributed to approximately 15.5% in revenue of the construction wastes handling industry.

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As of August 2015, there were about 40 contractors on the list of approved suppliers of materials and specialist contractors for public works under the land piling category of the Development Bureau, about 136 companies on the list of Specialist Contractors (Sub-register of Foundation Works Category) of the Buildings Department, and about 13 companies on the Housing Authority List of Piling Contractors.

MARKET DRIVERS, ENTRY BARRIERS, OPPORTUNITIES AND THREATS TO THE INDUSTRY WHICH OUR GROUP OPERATES IN HONG KONG

Market drivers

Government's policy on public infrastructure and residential properties

Ten Major Infrastructure Projects such as development projects in Wan Chai and the New Territories, and the extension of MTR lines have driven the growth of the foundation industry. In the 2015-16 Budget Speech, the Government reiterated its commitment to infrastructure investment.

To accommodate the growing population, the Government has set out a 5-year plan to increase the residential land supply. For instance, Government land has been provided for the Urban Renewal Authority and MTR projects. Moreover, the Government has identified about 150 sites for residential use which will be rezoned to provide approximately 210,000 public and private units over the next 5 years. These policies will continue to drive the foundation industry in Hong Kong.

Increasing property investment

For cooling down the property market in China, the Chinese government has restricted multiple-home ownership and increased the interest rates. As a result of these measures, it has become a trend among Chinese investors to purchase properties overseas, and in particular in Hong Kong given its close proximity to China and its free port status. The favourable investment environment in Hong Kong's property market is expected to drive the demand for residential properties, supporting the foundation industry in Hong Kong.

Entry barriers

Industry experience

Knowledge of civil engineering, geology and technical expertise is one of the barriers to enter the foundation industry, given that such industry knowledge can only be accumulated through years of formal education, vocational and on-site practical training. Potential players that lack industry experience would encounter difficulties when entering the industry.

Sufficient capital

The foundation industry is capital intensive as foundation works usually involve highly specialised machinery during operation. Substantial capital is therefore required for machinery investment when entering the industry. In addition, given that the foundation industry operates on a project-by-project basis, sufficient cash is required for the better management of cash flows.

INDUSTRY OVERVIEW

Opportunities

Increasing residential land supply

As population in Hong Kong is anticipated to reach about 8.6 million by 2036, construction of residential properties and renovation of existing residential properties are expected to increase, providing opportunities to the construction industry and hence the foundation industry in Hong Kong. According to the 2015 Policy Address, the Housing Authority has set the target to produce about 20,000 public rental housing units annually in the coming decade, and will pre-sell about 2,700 and 2,000 flats in 2015-16 and 2016-17, respectively under the Home Ownership Scheme. All these plans will fuel the development of the construction and hence the foundation industry.

Infrastructure development plans

Infrastructure development plans, in particular the Ten Major Infrastructure Projects initiated by the Government in 2007, drive demand in the construction industry as well as the foundation industry. Given that the Government has announced to spend an estimated HK\$76.3 billion on public infrastructure in its 2015-16 Budget Speech, it is expected that continual infrastructure projects will continue to provide opportunities to the foundation industry.

Threats

Insufficient experienced and skilled labour

As foundation works in Hong Kong get increasingly sophisticated, the demand for experienced and skilled labour has increased. However, the foundation industry follows the construction industry and faces the problem of labour shortage, as an increasing amount of experienced and skilled workers leave Hong Kong for better career prospect in Mainland China and Macau, and as fewer young people join the construction industry and more workers retire. Insufficient experienced and skilled workers may lead to increased labour costs and project delay, hindering the development of the construction and the foundation industry in Hong Kong.

Increasing construction costs

Same as the construction industry in Hong Kong, foundation contractors also face increasing construction costs because of increasing raw materials and labour costs. The average wage of construction worker in Hong Kong increased by about 40.6% from 2009 to 2014, up to about HK\$86.9 per hour in 2014, while the average wholesale price of cement increased substantially at a CAGR of about 4.3% from 2009 to 2014, from an average of about HK\$584.1 per metric tonne to an average of about HK\$720.4 per metric tonne.

LAWS AND REGULATIONS

This section sets forth a summary of the laws and regulations applicable to our business in Hong Kong.

LABOUR, HEALTH AND SAFETY

Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) (the “**Factories and Industrial Undertakings Ordinance**”)

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor (including person for the time being having the management or control of the business carried on in such industrial undertaking and also the occupier of any industrial undertaking) of an industrial undertaking to take care of, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy work environment.

A proprietor of an industrial undertaking who contravenes these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes these duties willfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for 6 months.

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty to comply with miscellaneous safety requirements; and (vii) provision of first aid facilities. Non-compliance with any of these rules commits an offence and different levels of penalty will be imposed and a contractor guilty of the relevant offence could be liable to a fine up to HK\$200,000 and imprisonment up to 12 months.

LAWS AND REGULATIONS

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (the “**Occupational Safety and Health Ordinance**”)

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy work environment.

Failure to comply with the above requirements constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

The Commissioner for Labour may also issue improvement notices against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the “**Employees’ Compensation Ordinance**”)

The Employees’ Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the Employees’ Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 15(1A) of the Employees’ Compensation Ordinance, employer shall report work injuries of its employee to the Commissioner of Labour not later than 14 days after the accident.

LAWS AND REGULATIONS

According to section 24 of the Employees' Compensation Ordinance, a main contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractor. The main contractor is, nonetheless, entitled to be indemnified by the subcontractor who would have been liable to pay compensation to the injured employee independently of this section. The employees in question are required to serve a notice in writing on the main contractor before making any claim or application against such main contractor.

According to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$100 million per event (where the number of employees in relation to who the policy is in force does not exceed 200) and no less than HK\$200 million per event (where the number of employees in relation to whom the policy is in force exceeds 200) to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover commits an offence and is liable on conviction upon indictment to a fine of HK\$100,000 and to imprisonment for two years and on a summary conviction to a fine of HK\$100,000 and to imprisonment for one year.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the “**Employment Ordinance**”)

A main contractor is subject to the provisions on sub-contractor's employees' wages in the Employment Ordinance. Section 43C of the Employment Ordinance provides that if any wages become due to an employee who is employed by a subcontractor on any work which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the main contractor and/or every superior subcontractor jointly and severally. A main contractor's liability shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the main contractor has contracted to perform and whose place of employment is wholly on the site of the building work; and (b) to the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from sub-contractor must serve a notice in writing on the main contractor within 60 days after the wage due date. A main contractor and superior sub-contractor (where applicable) shall not be liable to pay any wages to the employee of the sub-contractor if that employee fails to serve a notice on the main contractor.

Upon receipt of such notice from the relevant employee, a main contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior sub-contractor to that sub-contractor (where applicable) of whom he is aware. A main contractor who without reasonable excuse fails to serve notice on the superior sub-contractors shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

Pursuant to section 43F of the Employment Ordinance, if a main contractor or superior sub-contractor pays to an employee any wages under section 43C of Employment Ordinance,

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the wages so paid shall be a debt due by the employer of that employee to the main contractor or superior sub-contractor, as the case may be. The main contractor or superior sub-contractor may either (1) claim contribution from every superior sub-contractor to the employee's employer or from the main contractor and every other such superior sub-contractor as the case may be, or (2) deduct by way of set-off the amount paid by him from any sum due or may become due to the sub-contractor in respect of the work that he has sub-contracted.

Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) (the “**Occupiers Liability Ordinance**”)

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Immigration Ordinance (Chapter 115 of the Laws of Hong Kong) (the “**Immigration Ordinance**”)

Pursuant to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a sub-contractor, owner, occupier or other person who has control over or is in charge of a construction site) should take all practicable steps to (i) prevent having illegal immigrants from being on site or (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

Where it is proved that (i) an illegal immigrant was on a construction site or (ii) such illegal worker who is not lawfully employable took employment on a construction site, the construction site controller commits an offence and is liable to a fine of HK\$350,000.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (the “**Minimum Wage Ordinance**”)

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$32.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

ENVIRONMENTAL PROTECTION

Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) (the “**Air Pollution Control Ordinance**”)

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

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A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including but not limited to the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulation (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong) (the “**Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation**”)

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery (the “**NRMMs**”), including non-road vehicles and regulated machines such as crawler cranes, excavators and air compressors.

Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. From 1 September 2015, all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the EPD pursuant to section 4 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Under section 5 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation, starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements pursuant to section 11 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. A period of six months (from 1 June 2015 to 30 November 2015, both dates inclusive) is allowed for existing NRMMs to apply for exemption.

Any person who sells or leases a regulated machine for use in Hong Kong, or uses a regulated machine in specified activities or locations without (i) exemption or the EPD’s approval is liable to a fine of up to HK\$200,000 and imprisonment for up to six months, and (ii) a proper label is liable to a fine of up to HK\$50,000 and imprisonment for up to three months.

Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) (the “**Noise Control Ordinance**”)

The Noise Control Ordinance controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours, construction noise permits are required from the Noise Control Authority in advance.

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Under the Noise Control Ordinance, construction works at place within a designated area specified in the Noise Control Ordinance and the use of powered mechanical equipment for the purpose of carrying out any construction work other than percussive piling at any place are not allowed between 7 p.m. and 7 a.m. or at any time on general holidays, unless prior approval has been granted by the Noise Control Authority through the construction noise permit system. Certain equipment is also subject to restrictions e.g. hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority.

Any person who carries out any construction work except as permitted is liable (a) on first conviction to a fine of HK\$100,000; (b) on second or subsequent conviction, to a fine of HK\$200,000, and in any case to a fine of HK\$20,000 for each day during which the offence continues.

Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) (the “**Water Pollution Control Ordinance**”)

The Water Pollution Control Ordinance controls the effluent discharged from all types of industrial, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water to storm drains), they are subject to licensing control by the Director of Environmental Protection Department.

All discharges, other than domestic sewage to a communal sewer or unpolluted water to a communal drain, must be covered by a licence pursuant to the Water Pollution Control Ordinance. The licence specifies the permitted physical, chemical and microbial quality of the effluent. The general guidelines are that the effluent does not damage sewers or pollute inland or inshore marine waters.

According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for six months and (a) for a first offence, a fine of HK\$200,000; (b) for a second or subsequent offence, a fine of HK\$400,000, and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) (the “**Waste Disposal Ordinance**”)

The Waste Disposal Ordinance controls the production, storage, collection and disposal including treatment, reprocessing and recycling of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including but not limited to the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) (the “**Waste**

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Disposal (Charges for Disposal of Construction Waste) Regulation”) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong) (the “**Waste Disposal (Chemical Waste) (General) Regulation**”).

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed of at designated prescribed facilities and a main contractor who undertakes construction work with a value of HK\$1 million or above will be required, within 21 days after being awarded the contract, to establish a billing account in respect of that particular contract with the Director of the Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that contract.

Under the Waste Disposal (Chemical Waste) (General) Regulation, a person produces chemical waste or causes it to be produced has to register as a chemical waste producer. Any chemical waste produced must be packaged, labeled and stored properly before disposal. Only a licensed collector can transport the waste to a licensed chemical waste disposal site for disposal. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the Environmental Protection Department.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of the Environmental Protection Department. A person who uses, or permits to be used, any land or premises for the disposal without such a licence commits an offence and is liable to (i) a fine of HK\$200,000 and to imprisonment for six months for the first offence; (ii) to a fine of HK\$500,000 and to imprisonment for six months for a second or subsequent offence; and (iii) in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong) (the “**Dumping at Sea Ordinance**”)

Under the Dumping at Sea Ordinance, any waste producer involved in marine dumping and related loading operations are required to obtain permits from the Director of Environmental Protection Department.

Under the Dumping at Sea Ordinance, a person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months on a first conviction; and to a fine of HK\$500,000 and to imprisonment for two years on a second or subsequent conviction; and in addition, to a further fine of HK\$10,000 for each day if the court is satisfied that the operation has continued.

Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong)

The Environmental Impact Assessment Ordinance is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 of the Environmental Impact Assessment Ordinance (for example, public utility facilities, certain large-scale industrial activities, community facilities, etc.) through the application of the environmental impact assessment process and the environmental permit system by the persons who is planning such designated project prior to their construction and operation (and decommissioning, if applicable), unless otherwise exempted.

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In order to protect the environment, ensure the optimum environmental performance of the project and manage the translation of the project from drawing board to ground-breaking, and beyond, an effective Environmental Monitoring and Audit (EM&A) system is needed. It is the responsibility of the project proponent to ensure the environmental protection and pollution prevention recommendations and requirements arising from application of the Environmental Impact Assessment process are fully implemented in a timely manner, at all relevant project stages, such as, design, construction, operation and decommissioning.

The Director of Environmental Protection Department may specify, among others, the following matters in an environmental permit:

- (a) The mitigation of the environmental impact of a designated project, and the timing, phasing or order of mitigation measures, including
 - i. pollution control or environmental protection equipment, processes, systems, practices or technologies;
 - ii. equipment, processes, systems, practices or technologies for the prevention, reduction, reuse, recovery and recycling of wastes or wastewater;
 - iii. equipment, processes, systems, practices or technologies for the management of wastes, including the storage, treatment or disposal of wastes;
 - iv. acoustic barriers and enclosures, noise insulation equipment, or equipment, processes, systems, practices or technologies for the avoidance, prevention, reduction, minimisation or control of noise;
 - v. equipment, processes, systems, practices or technologies for the avoidance, prevention, reduction, minimisation or control of air pollution; or
 - vi. processes, systems, practices, procedures or technologies for the conservation, preservation or protection of flora, fauna, ecological habitats, sites of special scientific interest, or of cultural heritage importance, or resources.

- (b) Programmes or exercises for monitoring the environmental impact of a designated project or the effectiveness of measures to mitigate its environmental impact, whether such impact may occur within or outside its physical boundary or site, and the review and audit of data and information derived from such programmes or exercises, including specification of
 - i. the parameters or impact to be monitored;
 - ii. the frequency of monitoring, or the procedures, practices, methods or equipment to be used for monitoring, including the maintenance and calibration of such equipment and quality assurance and laboratory accreditation procedures;
 - iii. the standards or criteria to be used for evaluating and auditing monitoring data;

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- iv. plans and procedures for action in response to the results of such monitoring programmes or exercises, including action to intensify or increase monitoring, inspect or investigate revealed or indicated problems, or take remedial measures to address such problems; and
 - v. the nature, format or frequency of the reporting of the results and findings of monitoring or action plans and procedures.
- (c) The requirements for carrying out of environmental monitoring by accredited laboratories, or environmental audit by qualified personnel.

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project as listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, dredging operation, residential and other developments, etc.) or decommissions a designated project listed in Part II of Schedule 2 of the Environmental Impact Assessment Ordinance without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit. The offender is liable (a) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 6 months; (b) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for 2 years; (c) on a first summary conviction to a fine at level 6 and to imprisonment for 6 months; (d) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for one year, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied the offence continued.

Boilers and Pressure Vessels Ordinance (Chapter 56 of the Laws of Hong Kong) **(the “Boilers and Pressure Vessels Ordinance”)**

The Boilers and Pressure Vessels Ordinance regulates the control, use, and operation of boilers and pressure vessels, and provides for conduct of inquiries into accidents relating to boilers and pressure vessels. The Boilers and Pressure Vessels Ordinance also regulates registration, maintenance and examination of boilers, pressure vessels and steam containers, and their use and operations.

Pursuant to section 49(1) of the Boilers and Pressure Vessels Ordinance, no boiler or pressure vessel shall be used or operated unless the boiler or pressure vessel and its auxiliary equipment has been examined in accordance with Boilers and Pressure Vessels Ordinance and a certificate of fitness has been issued in respect thereof after that examination. In particular, section 24 of the Boilers and Pressure Vessels Ordinance prescribes that every new air receiver, other than a pressurised fuel container, and its fittings and attachments shall be examined by an appointed examiner before it is put into use. Under section 27 of the Boilers and Pressure Vessels Ordinance, any air receiver shall be examined by an appointed examiner within 26 months after the date of any certificate of fitness issued in respect thereof.

The owner of the air receiver, boiler or pressure vessels who fails to register the relevant air receiver, boiler or pressure vessels with the Labour Department or one who fails to obtain the certificate of fitness is liable on summary conviction to a fine of HK\$30,000 under section 49(8) of the Boilers and Pressure Vessels Ordinance.

Pursuant to section 33(6) of the Boilers and Pressure Vessels Ordinance, whenever an appointed examiner issues a certificate of fitness, he shall also deliver to the owner of the

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boiler or pressure vessel 2 copies of the certificate and, within 7 days after the copies are delivered to him, the owner shall deliver them to the Boilers and Pressure Vessels Division of the Labour Department. The Labour Department may by notice prohibit the use of the boiler or pressure vessel where it appears that a boiler or pressure vessel or any of its auxiliary equipment has not been examined or tested in accordance with the Boilers and Pressure Vessels Ordinance or in accordance with a requirement made under the same ordinance.

CONTRACTOR LICENSING REGIME AND OPERATION

Contractor Licensing Regime and the Subcontractor Registration Scheme

Under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) (the “**Buildings Ordinance**”), there are three contractors’ registers, namely the general building contractors’ register, the specialist contractors’ register and the minor works contractors’ register, being kept by the Building Authority.

Under the current contractors registration system in Hong Kong, the Building Authority shall keep a register of general building contractors who are qualified to perform the duties of a general building contractor and a register of specialist contractors who are qualified to carry out specialised works (such as foundation works) specified in the category in the sub-register in which they are entered. Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors. Registered minor works contractors may carry out such minor works belonging to the class, type and item specified in the register for which they are registered.

The main contractors carrying out private sector foundation works and ancillary services are required to register or work together with contractors who are registered on either the list of register of general building contractors or the list of register of specialist contractors (sub-register of foundation works category) with the Buildings Department in Hong Kong.

For any foundation works and ancillary services where an entity is involved as a subcontractor, if there is a registered specialist contractor who is registered with the Buildings Department under the appropriate category to supervise the works and liaise with the Building Authority, the entity itself is not required to be such registered specialist contractor or to obtain any requisite licenses, permits and approval for its operation and business except the business registration.

Subcontractors, which are involved in, among others, foundation works and ancillary services, in Hong Kong may apply for registration under the Subcontractor Registration Scheme managed by the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) in February 2007.

The Subcontractor Registration Scheme was formerly known as the Voluntary Subcontractor Registration Scheme (the “**VSRS**”), which was introduced by the Provisional Construction Industry Co-ordination Board (the “**PCICB**”). The PCICB was formed in September 2001 to spearhead industry reform and to pave way for the early formation of the statutory industry coordinating body.

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A technical circular issued by the Works Branch of the Development Bureau (then the Environment, Transport and Works Bureau) (“**WBDB**”) on 14 June 2004 (now subsumed into the Project Administration Handbook for Civil Engineering Works by the CEDD) requires that all public works contractors with tenders to be invited on or after 15 August 2004 to employ all sub-contractors (whether nominated, specialist or domestic) registered from the respective trades available under the VSRS.

After the Construction Industry Council took over the work of the PCICB in February 2007 and the VSRS in January 2010, the Construction Industry Council launched stage 2 of the VSRS in January 2013. VSRS was also then renamed Subcontractor Registration Scheme. All subcontractors registered under the VSRS have automatically become registered subcontractors under the Subcontractor Registration Scheme.

Subcontractors may apply for registration on the Subcontractor Registration Scheme in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services. The 52 trades further branch into around 94 specialties, including sheet piles, driven piles, earthwork, geotechnical works, and ground investigation etc.

Where a contractor is to sub-contract/ sub-let part of the public works involving trades available under the Primary Register (a list of companies registered in accordance with the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme) of the Subcontractor Registration Scheme, he shall engage all subcontractors (whether nominated, specialist or domestic) who are registered under the relevant trades in the Primary Register of the Subcontractor Registration Scheme. Should the sub-contractors further sub-contract (irrespective of any tier) any part of the part of the public works sub-contracted to them involving trades available under the Primary Register of the Subcontractor Registration Scheme, the contractor shall ensure that all sub-contractors (irrespective of any tier) are registered under the relevant trades in the Primary Register of the Subcontractor Registration Scheme.

Applications for registration under the Primary Register of the Subcontractor Registration Scheme are subject to the following entry requirements:-

- (a) completion of at least one job within five years as a main contractor/subcontractor in the areas which it applies or to have acquired comparable experience by itself/its proprietors, partners or directors within the last five years;
- (b) listings on one or more government registration schemes operated by policy bureaus or departments of the Government relevant to the trades and specialties for which registration is sought;
- (c) the applicant or its proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade / specialty applying for and having completed all the modules of the Project Management Training Series for Sub-contractors (or equivalent) conducted by the Construction Industry Council; or
- (d) the applicant or its proprietor, partner or director having registered as Registered Skilled Worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade/specialty with at least five

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years' experience in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

A registered subcontractor shall apply for renewal within three months before the expiry date of its registration by submitting an application to the Construction Industry Council in a specified format providing information and supporting documents as required to show compliance with the entry requirements. An application for renewal shall be subject to approval by the management committee which oversees the Subcontractor Registration Scheme (the "**Management Committee**"). If some of the entry requirements covered in an application can no longer be satisfied, the Management Committee of the Construction Industry Council may give approval for renewal based on those trades and specialties where the requirements are met. An approved renewal shall be valid for two years from the expiry of the current registration.

A registered subcontractor shall observe the Codes of Conduct for Registered Subcontractor (Schedule 8 of the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme) (the "**Codes of Conduct**"). Failing to comply with the Codes of Conduct may result in regulatory actions taken by the Management Committee.

The circumstances pertaining to a registered subcontractor that may call for regulatory actions include, but are not limited to:

1. supply of false information when making an application for registration, renewal of registration or inclusion of additional trades;
2. failure to give timely notification of changes to the registration particulars;
3. serious violations of the registration rules and procedures;
4. convictions of senior management staff (including but not limited to proprietors, partners or directors) for bribery or corruption under the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong);
5. convictions for failure to pay wages on time to workers in accordance with the relevant provisions contained in the Employment Ordinance;
6. wilful misconducts that may bring the Subcontractor Registration Scheme into serious disrepute;
7. civil awards/judgments in connection with the violation of or convictions under the relevant sections of the Mandatory Provident Fund Schemes Ordinance;
8. convictions under the Factories and Industrial Undertakings Ordinance or Occupational Safety and Health Ordinance in relation to serious construction site safety incidents resulting in one or more of the following consequence:
 - i. loss of life; or
 - ii. serious bodily injury resulting in loss or amputation of a limb or had caused or was likely to cause permanent total disability;

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9. conviction of five or more offences under the Factories and Industrial Undertakings Ordinance and/or Occupational Safety and Health Ordinance each arising out of separate incidents in any six months period (according to the date of committing the offence but not the date of conviction), committed by the Registered Subcontractor at each of a construction site under a contract;
10. convictions for employment of illegal worker under the Immigration Ordinance; or
11. late payment of workers' wages and/or late payment of contribution under the Mandatory Provident Fund Schemes Ordinance over 10 days with solid proof of such late payment of wages and/or contribution.

The Management Committee may instigate regulatory actions by directing that:

- A. written strong direction and/or warning be given to a registered subcontractor;
- B. a registered subcontractor to submit an improvement plan with the contents as specified and within a specified period;
- C. a registered subcontractor be suspended from registration for a specified duration; or
- D. the registration of a registered subcontractor be revoked.

Minor works contractors

Registered minor works contractors may carry out such minor works belonging to the class, type and item specified in the register for which they are registered.

Under the minor works control system (the “**MWCS**”) implemented by the Buildings Department since 31 December 2010, which was intended to serve as a simplified control mechanism to facilitate the carrying out of minor works without prior approval of plans by the Building Authority, a total of 126 items of building works have been included as minor works subject to the control under the MWCS. Those minor works are categorised into three classes according to their nature, scale, complexity and risk to safety: Class I (total of 44 items), Class II (total of 40 items) & Class III (total of 42 items). Class I comprises more complicated minor works and require higher technical experience and more stringent supervision and thus requires the appointment of a prescribed building professional (the “**Building Professional**”) (such as an authorised person and where necessary, may include a registered structural engineer and/or a registered geotechnical engineer) and a prescribed registered contractor (the “**Registered Contractor**”); Class II comprises works of a lower complexity; while Class III comprises common household minor works; Class II and Class III can be carried out by Registered Contractor (which can be a Registered General Building Contractor, a Registered Specialist Contractor registered under the category of demolition works/site formation works/foundation works/ground investigation field works or a Registered Minor Works Contractor) without the involvement of a Building Professional. Under each class of minor works, it will be further sub-divided into different types and items that correspond to the specialisation of works in the industry. Minor works are grouped into seven types, including Type A (Alteration and Addition Works); Type B (Repair Works); Type C (Works relating to Signboards); Type D (Drainage Works); Type E (Works relating to Structures for Amenities); Type F (Finishes Works); and Type G (Demolition Works). The size, location and respective

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requirements of each item of minor works are set out in Schedule 1 of the Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) (the “**B(MW)R**”).

Similar to the registration requirements for a general building contractor or a specialist contractor, under section 12(5) of the B(MW)R, an applicant for registration as an registered minor works contract must satisfy the Building Authority on the following aspect:

- (a) appropriate qualifications and experience of at least one of its director;
- (b) it has access to plants and resources;
- (c) if it is a corporation, its management structure is adequate;
- (d) appropriate qualifications and experience of at least one of the persons appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance and his ability to understand the minor works under application through relevant experience and a general knowledge of the basic statutory requirements; and
- (e) the applicant is suitable for registration in the register.

Pursuant to section 12(6) of the B(MW)R, in deciding whether the applicant is suitable for registration in the register, the following factors will be taken into account: (a) whether the applicant has any criminal record in respect of any offence under the Laws of Hong Kong relating to the carrying out of any building works; and (b) whether any disciplinary order has been made against the applicant.

In considering each application, the Building Authority is to have regard to the qualifications, experience and suitability of the following key personnel of the applicant:

- (a) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance hereinafter referred to as the Authorised Signatory (the “**AS**”); and
- (b) for a corporation – a minimum of one director from the board of directors of the applicant, hereinafter referred to as the Technical Director (the “**TD**”), who is authorised by the board to:
 - i. have access to plants and resources;
 - ii. provide technical and financial support for the execution of minor works; and
 - iii. make decisions for the company and supervise the AS and other personnel for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance.

A suitable person appointed by the board of directors is eligible to act as the AS, whereas the TD must be a director appointed under the Companies Ordinance and appointed by the board of directors to perform the role of TD.

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The registered minor works contractor is required to suspend all the minor works immediately if there is no AS appointed to act for the contractor for the purposes of the Buildings Ordinance. Similarly, when there is no TD acting for the contractor, the contractor should apply for appointment of replacement of TD within a reasonable period of time. Before the AS/TD ceases to act for the contractor, apart from giving the Building Authority an advanced notice, the contractor/AS/TD should provide necessary measures to ensure the safety and hygiene condition of the site during the period of suspension of works and should liaise with the project authorised person, registered structural engineer or registered geotechnical engineer selected by the Building Authority in this regard where applicable.

Under section 14(2)(c) of the B(MW)R, a registered minor works contractor should apply to the Building Authority for renewal of registration not earlier than 4 months and not later than 28 days prior to the date of expiry of the registration. The application should comprise:

- (a) a duly completed specified form;
- (b) declarations in Building Authority standard forms covering exhaustively the conviction/disciplinary/suspension records of the applicant and its key personnel such as the authorised signatory(ies) and the technical director(s) in certain aspects;
- (c) a job reference on a minimum of one relevant building project;
- (d) certain documents relating to business registration;
- (e) the prescribed fee in accordance with Building (Minor Works) (Fees) Regulation (Chapter 123O of the Laws of Hong Kong);
- (f) if the contractor has made an application for renewal within the statutory time limit and pays the renewal fee, its registration will continue to be in force until its application for renewal is finalised by the Building Authority. In general, an application from a contractor for renewal of registration would not be referred to the Minor Works Contractors Registration Committee, an independent body appointed by the Building Authority under section 6 of the B(MW)R for interview and assessment, except in the following circumstances:
 - i. the contractor has been inactive in relevant minor works in the past registration period (i.e. without a job reference on a minimum of one relevant item of minor works); or
 - ii. there have been new incidents or circumstances that require further consideration on the suitability of the contractor's registration. In this connection, the Building Authority will assess the suitability of the contractor for retention of its name in the register if it has been (i) convicted or disciplined under the Buildings Ordinance; (ii) convicted of a serious labour safety offence (e.g. involving a fatal incident or amputation of limb); (iii) convicted of 7 or more labour safety offences relating to building works committed within a rolling 6 months. Non-building works related labour safety offences, e.g. failure to ensure the wearing of safety helmet and the use of goggles, however will not be taken into consideration; (iv) involved in conviction leading to imprisonment for malpractice or misconduct in building works or construction related activities; (v) convicted of 4 or more offences under section 27(3) of the

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Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) committed on the same site within a rolling 3 months; (vi) convicted of 4 or more environmental offences committed on the same site within a rolling 3 months; and (vii) suspended from tendering by the Development Bureau or the Housing Authority. The Building Authority will consider the reasons of the suspension. In general, only factors which infer deficiencies of the contractors in technical or management abilities, and factors related to standard of works, misconduct and site safety will be taken into consideration.

The Building Professional appointed will be responsible for the design and supervision of the works while the Registered Contractor appointed will be responsible for the carrying out of the works. If Building Professional is not required to be appointed, i.e. no Class I minor works item is involved, the design of the works will also be responsible by the Registered Contractor appointed as well. The Building Authority must be notified of the commencement of projects involving Class I and Class II minor works items, in the specified form with prescribed plans, supporting document and site photos, which must be submitted at least seven days before the commencement of works. The Building Authority will issue a submission number after the verification of all works involved are “minor works” and a certificate of completion should be submitted in the specified form with the submission number, record plans, supporting document and record photos within 14 days after the completion of works. For projects in which only Class III minor works are involved, it is not necessary to notify the Building Authority of the commencement of the projects as required for Class I and Class II minor works items. However, notice and certificate of completion should be submitted in the specified form with record plans or description of works, supporting document and record photos (before and after the completion of works) within 14 days after the completion of works. The Building Authority will conduct audit checks upon receipt of the above notices to ascertain compliance with the statutory requirements and ensure the quality and standard of such “minor works”. Disciplinary and prosecution actions may be taken against cases of non-compliance. According to sections 4A(2) and 9AA(2) of the Buildings Ordinance, if a person who arranged for the works to be commenced or carried out has knowingly failed to appoint the Building Professional and/or the Registered Contractor (as the case may be), he will be liable on conviction to a fine of up to HK\$100,000 under section 40(1AB) of the Buildings Ordinance.

Under section 13 of the Buildings Ordinance, a Registered Contractor or the director, officer or person appointed by the registered contractor to act on his behalf for the purposes of the Buildings Ordinance who has been convicted by any court of an offence relating to building works or street works, has been negligent or has misconducted himself in buildings works or street works or has failed to discharge any of the specified duties is subject to inquiry by the disciplinary board. The disciplinary board may, among others, order that (i) the name of the Registered Contractor or the name of the director, officer or person be removed from the relevant register, either permanently or for such period as the disciplinary board thinks fit; (ii) the Registered Contractor or the director, officer or person be fined a sum up to HK\$250,000; and (iii) the Registered Contractor or the director, officer or person be reprimanded.

If any building works have been or are being carried out in such a manner as, in the opinion of the Building Authority, will cause or will be likely to cause a risk of injury or damage to property, an order may be served under section 24A of the Buildings Ordinance for ceasing the constitution of such a risk. The Building Authority may require a person to demolish, remove or alter any “minor works” commenced under the simplified requirements

LAWS AND REGULATIONS

that have been or are being carried out in contravention of any provisions of the Buildings Ordinance. Any person who fails to comply with such order will commit offence and shall be liable on conviction to a fine of up to HK\$50,000 and to imprisonment for up to three months and to a fine of up to HK\$5,000 for each day if the offence is continuing.

Public sector construction wastes handling projects

For public sector projects, contractors responsible for construction wastes handling works are, among others, required to be on the list of approved contractors for public works maintained by the WBDB. The list of approved contractors for public works maintained by the WBDB comprises contractors who are approved for carrying out public works in one or more of the five major categories of building and civil engineering works, namely buildings, port works, roads and drainage, waterworks and site formation. Contractors within each category are further divided into Group A, B or C according to the value of contracts for which they are normally eligible to tender. A contractor's status in each group will be either probationary or confirmed.

As long as the main contractors hold all the required registrations for the project, the subcontractors are not required to hold the same registrations as the main contractors in public projects. However, being registered on the Subcontractor Registration Scheme at the Construction Industry Council is required for subcontractors to participate in public projects commissioned by certain Government departments and statutory bodies, including the Airport Authority, the Development Bureau and the Housing Authority.

Pursuant to a technical circular issued by the WBDB (the Environment, Transport and Works Bureau at the time of issue of the technical circular) on 14 June 2004, all capital works and maintenance works contracts of the Government with tenders to be invited on or after 15 August 2004 shall require the contractor to employ all subcontractors (whether nominated, specialist or domestic) that are registered from the respective trades available under the VSRS, which has been renamed the Subcontractor Registration Scheme.

Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong) (the "Regulations")

Safety of lifting appliances used at construction sites is mainly regulated by the Regulations administered by the Labour Department.

The Regulations lay down requirements with respect to the construction, inspection, testing, thorough examination, operation, erection, dismantling and alteration of lifting appliances, including cranes. For instance, the Regulations specifically require the owner, among other matters, to ensure that all lifting appliances shall be of good mechanical construction, made of strong and sound materials, free from patent defect and properly maintained, and that the arrangements for fixing and anchoring the appliance are adequate to secure its safety. The owner of a crane shall ensure that it is not erected, dismantled or altered except under the supervision of a competent person.

Pursuant to the Regulations, before a lifting appliance is used at or moved in an industrial undertaking, the owner of the appliance shall take appropriate precautions to ensure its stability. The owner of a crane shall ensure that the crane can only be operated by a person who (i) has attained the age of 18 years; (ii) holds a valid certificate issued by the Construction Industry Council or any other person specified by the Commissioner for Labour; and (iii) in the opinion of the owner, is competent to operate the crane by virtue of his experience.

LAWS AND REGULATIONS

For the purposes of the Regulations, ‘owner’, in relation to any lifting appliance or lifting gear, includes the lessee or hirer thereof, and any overseer, foreman, agent or person in charge or having the control or management of the lifting appliance or lifting gear, and the contractor who has control over the way any construction work which involves the use of the lifting appliance or lifting gear is carried out and, in the case of a lifting appliance or lifting gear situated on or used in connection with work on a construction site, also includes the contractor responsible for the construction site.

Any contraventions by the owners of any crane or lifting appliance of the Regulations will attract penalties from a fine of HK\$200,000 to a fine of HK\$200,000 and 12 months imprisonment.

Code of Practice for Safe Use of Mobile Cranes (the “Code”)

The Code is prepared by the Occupational Safety and Health Branch of the Labour Department. It is approved and issued by the Commissioner for Labour under section 7A of the Factories and Industrial Undertakings Ordinance to complement the legislative framework at an operational level. It provides a practical guidance to the industry as to how to use mobile cranes safely and properly with a view to assisting the duty holders in preventing accidents.

The Code provides guidance on the safe use and operation of mobile cranes to ensure safety of personnel working at or near by those cranes. It covers management and planning of lifting operation of mobile cranes, requirements for operations, slingers and signallers, siting, erection, dismantling, maintenance and testing of mobile cranes. It also contains guidance pertaining to the selection, safe use and specific precautions when mobile cranes are operating within a workplace.

Although failure to observe any guidance contained in the Code is not in itself an offence that failure may be taken by a court in criminal proceedings as a relevant factor in determining whether or not a person has breached any of the provisions of the regulations to which the guidance relates.

There are statutory requirements governing the testing, examination and inspection of mobile cranes pursuant to the Regulations. According to the Regulations, the owner of any crane shall ensure that it is not used unless during the preceding 4 years it has been tested and thoroughly examined by a competent examiner. Testing of mobile cranes should conform to British Standard BS 7121 or equivalent standards. Cranes shall also be thoroughly examined by a competent examiner at least once in the preceding 12 months or before erection.

The owner of a crane shall ensure that it is not used unless it has been inspected within the preceding 7 days by a competent person. The Guidance Notes on Inspection, Thorough Examination and Testing of Lifting Appliances and Lifting Gear issued by the Labour Department also provide practical guidance in this regard as prescribed under the Regulations to ensure their safety and reliability.

Where an inspection shows that the crane is in a safe working order, the competent person shall deliver forthwith, or within a reasonable time thereafter, to the owner the certificate of such inspection.

LAWS AND REGULATIONS

Where a test or a thorough examination shows that a crane is in a safe working order, the competent examiner shall deliver the test or examination certificate to the owner of the crane within 28 days after the test or the thorough examination. Where a test or a thorough examination shows that a crane cannot be used safely unless certain repairs are carried out, the competent examiner shall immediately inform the owner of the crane of that fact and shall, within 14 days after the test or the thorough examination, deliver a report to the owner of the crane and a copy of it to the Commissioner for Labour.

A competent examiner or competent person shall not deliver to an owner a certificate or make a report which is to his knowledge false as to a material particular. All test certificates or copies of certificates and related documents shall be kept in the cranes or be available on the site of operation.

For the purpose of the Regulations, a competent person means a person who is (i) appointed by the owner required by those regulations to ensure that the duty is carried out by a competent person; and (ii) by reason of training and practical experience, competent to perform the duty. A competent examiner means a person who is (i) appointed by the owner required by those regulations to ensure that the test and examination is carried out; (ii) a registered professional engineer registered under the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong) within a relevant discipline specified by the Commissioner for Labour; and (iii) by reason of his qualifications, training and experience, competent to carry out the test and examination.

In Hong Kong, mobile crane operators are required to attend training courses offered by the Construction Industry Council or by any other person specified by the Commissioner for Labour in order to qualify for the safety certificates issued by the Commissioner for Labour. These qualifications are renewable subject to satisfaction of all renewal criteria.

Compliance with the relevant requirements

Our Directors confirmed that our Group has obtained all relevant permits/ registrations/ licences for its existing operations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

OUR CORPORATE HISTORY

Overview

The history of our Group can be traced back to 2001 when Mr. Chan Wing Chung (an executive Director and a Controlling Shareholder), through his spouse Ms. Kwok Kam Far at the material time, acquired 60% shareholding interest in Chung Shun, one of our principal operating subsidiaries, which is principally engaged in provision of construction works, which include foundation works and ancillary services, and heavy duty machines business.

Mr. Chan Wing Chung has over 20 years of experience in the foundation works industry. In 2001, Mr. Chan Wing Chung, being confident in the prospects of the foundation works market in Hong Kong, decided to invest in Chung Shun through Ms. Kwok Kam Far with his own capital accumulated from his previous employments. Mr. Chan Wing Chung acquainted Mr. Ip Ying Chau (an executive Director and a Controlling Shareholder), who has about 19 years of experience in the foundation works industry, in 2008. In 2012, Mr. Chan Wing Chung invited Mr. Ip Ying Chau to incorporate Progressive Foundation, a principal operating subsidiary of our Group, with their own personal savings from previous employments for the purpose of carrying on construction and foundation work business. Please refer to the section headed “Directors, Senior Management and Staff” of this prospectus for details relating to the qualification and experience of Mr. Chan Wing Chung and Mr. Ip Ying Chau.

Details of the members of our Group and their respective corporate history are set out below:

OUR COMPANY

Our Company was incorporated in the Cayman Islands on 15 May 2015. Upon completion of the Reorganisation, our Company became the holding company of our Group on 23 July 2015, details of which are set out in the paragraph headed “Reorganisation” in this section.

OUR PRINCIPAL OPERATING SUBSIDIARIES

Chung Shun

Chung Shun was incorporated in Hong Kong with limited liability on 21 November 2001 and was owned as to 50% by Bosco Secretaries Limited and 50% by Bosco Nominees Limited, each of which was a former shareholder and/or secretary of Chung Shun and is not otherwise connected with our Company and its connected persons.

As Mr. Chan Wing Chung wished to co-operate with Mr. Chan Chi Keung and Mr. Ng Siu Lo, who were both experienced in foundation works industry, to develop heavy duty machines and foundation works business, (i) on 26 November 2001, Chung Shun allotted and issued 59 shares to Ms. Kwok Kam Far (who acted on behalf of Mr. Chan Wing Chung), 19 shares to Mr. Ng Siu Lo and 20 shares to Mr. Chan Chi Keung at a consideration of HK\$59, HK\$19 and HK\$20, respectively, which was determined with reference to the then par value of the shares and was settled in or around November 2001; and (ii) on 3 December 2001, Mr. Chan Wing Chung, through Ms. Kwok Kam Far, and Mr. Ng Siu Lo each acquired 1 share of Chung Shun from Bosco Secretaries Limited and Bosco Nominees Limited at a consideration of HK\$1, respectively, which was determined with reference to the then par value of the shares and was settled in or around December 2001.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

After the aforesaid allotment and share transfers, the shareholding structure of Chung Shun was as follows:

Name of shareholder	No. of shares	Shareholding percentage
Kwok Kam Far (<i>Note 1</i>)	60	60%
Ng Siu Lo (<i>Note 2</i>)	20	20%
Chan Chi Keung (<i>Note 3</i>)	20	20%
	100	100%
	100	100%

Notes:

1. Ms. Kwok Kam Far was the spouse of Mr. Chan Wing Chung at the material time.
2. Mr. Ng Siu Lo was a former shareholder and director of Chung Shun, and is not otherwise connected with our Company and its connected persons.
3. Mr. Chan Chi Keung was a former shareholder and director of Chung Shun, and is not otherwise connected with our Company and its connected persons.

In 2003, Mr. Ng Siu Lo wished to quit the co-operation with Mr. Chan Wing Chung in Chung Shun as Mr. Ng Siu Lo was not optimistic about the prospects of foundation works business. Mr. Chan Wing Chung invited Mr. Kwan Chung Shing, who was experienced in the foundation works industry, to join Chung Shun. Accordingly, on 31 October 2003, Mr. Kwan Chung Shing acquired 20 shares of Chung Shun from Mr. Ng Siu Lo at a consideration of HK\$20, which was determined with reference to the then par value of the shares and was settled in or around October 2003. After the aforesaid share transfer, the shareholding structure of Chung Shun was as follows:

Name of shareholder	No. of shares	Shareholding percentage
Kwok Kam Far	60	60%
Chan Chi Keung	20	20%
Kwan Chung Shing (<i>Note</i>)	20	20%
	100	100%
	100	100%

Note: Mr. Kwan Chung Shing was a former shareholder and director of Chung Shun, and is a member of the senior management of Chung Shun. He is not otherwise connected with our Company and its connected persons.

On 4 February 2004, due to change in Mr. Chan Wing Chung's marital relationship, Mr. Chan Wing Chung acquired 60 shares, representing 60% of the then issued shares of Chung Shun, from Ms. Kwok Kam Far at a consideration of HK\$60. As confirmed by our Directors, the aforesaid consideration was determined with reference to the then par value of the shares and was settled in or around February 2004.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

Following the aforesaid share transfer, the shareholding structure of Chung Shun was as follows:

Name of shareholder	No. of shares	Shareholding percentage
Chan Wing Chung	60	60%
Chan Chi Keung	20	20%
Kwan Chung Shing	20	20%
	<u>100</u>	<u>100%</u>

In 2008, Mr. Chan Chi Keung wished to quit the co-operation with Mr. Chan Wing Chung in Chung Shun as he was not optimistic about the prospects of foundation works business. Accordingly, Mr. Chan Chi Keung transferred his 20 shares in Chung Shun, representing 20% of the then issued shares of Chung Shun, to Mr. Chan Wing Chung on 14 July 2008 at a consideration of HK\$20. As confirmed by our Directors, the aforesaid consideration was determined with reference to the then par value of the shares and was settled in or around July 2008.

Following the aforesaid share transfer, the shareholding structure of Chung Shun was as follows:

Name of shareholder	No. of shares	Shareholding percentage
Chan Wing Chung	80	80%
Kwan Chung Shing	20	20%
	<u>100</u>	<u>100%</u>

As part of the Reorganisation, on 26 March 2015, Mr. Kwan Chung Shing as vendor and Mr. Ip Ying Chau as purchaser entered into a sale and purchase agreement, pursuant to which Mr. Ip Ying Chau acquired 20 shares of Chung Shun, representing 20% of its then issued shares, from Mr. Kwan Chung Shing at a consideration of HK\$4,455,941.47, which was determined with reference to the then net asset value of Chung Shun and was settled in or around May 2015. The shareholding structure of Chung Shun following the aforesaid share transfer was as follows:

Name of shareholder	No. of shares	Shareholding percentage
Chan Wing Chung	80	80%
Ip Ying Chau	20	20%
	<u>100</u>	<u>100%</u>

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

Furthermore, also as part of the Reorganisation, on 22 July 2015, Mr. Chan Wing Chung and Mr. Ip Ying Chau, as vendors, and Joint Wealth as purchaser entered into a sale and purchase agreement, pursuant to which Joint Wealth acquired 80 shares and 20 shares of Chung Shun, being its entire issued shares in aggregate, from Mr. Chan Wing Chung and Mr. Ip Ying Chau, respectively, and in consideration thereof, Joint Wealth in aggregate issued and allotted 2 shares of Joint Wealth, credited as fully paid, to Glory Port.

After the aforesaid share transfer, Joint Wealth held all the issued shares of Chung Shun and Chung Shun became a wholly-owned subsidiary of Joint Wealth.

Progressive Foundation

Progressive Foundation was incorporated in Hong Kong with limited liability on 11 May 2012, and was owned as to 50% by Mr. Chan Wing Chung and 50% by Mr. Ip Ying Chau. Progressive Foundation has been principally engaged in provision of foundation engineering works and project management business since its incorporation.

As part of the Reorganisation, on 22 July 2015, Mr. Chan Wing Chung and Mr. Ip Ying Chau as vendors and Full State as purchaser entered into a sale and purchase agreement, pursuant to which Full State acquired 50 shares and 50 shares of Progressive Foundation, being its entire issued shares in aggregate, from Mr. Chan Wing Chung and Mr. Ip Ying Chau, respectively, and in consideration thereof, Full State in aggregate issued and allotted 2 shares of Full State, credited as fully paid, to Glory Port.

After the aforesaid share transfer, Full State held all the issued shares of Progressive Foundation and Progressive Foundation became a wholly-owned subsidiary of Full State.

Bright Access

Bright Access was incorporated in Hong Kong with limited liability on 20 October 2008 and was wholly-owned by Company Kit Secretarial Services Limited, which was a former shareholder and director of Bright Access and is not otherwise connected with our Company and its connected persons.

Bright Access had no business operation since its incorporation until Mr. Chan Wing Chung acquired Bright Access in November 2008. On 28 November 2008, Mr. Chan Wing Chung, being optimistic about the prospects of the foundation works market and for the purpose of carrying on foundation works business, acquired all the issued share of Bright Access from Company Kit Secretarial Services Limited for a consideration of HK\$1, which was determined with reference to the then par value of the share and was settled in or around November 2008.

Following the aforesaid share transfer, Bright Access was wholly-owned by Mr. Chan Wing Chung.

In 2012, due to Mr. Ip Ying Chau's experience and expertise in the construction industry and in order to further develop the business of Bright Access, Mr. Chan Wing Chung invited Mr. Ip Ying Chau to join Bright Access and Mr. Ip Ying Chau assumed a senior management role in Bright Access since November 2012, being responsible for making management decisions.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

On 25 February 2013, Mr. Ip Ying Chau became a shareholder of Bright Access by way of share subscription whereby Bright Access allotted and issued 50 shares to Mr. Ip Ying Chau and 49 shares to Mr. Chan Wing Chung at a consideration of HK\$50 and HK\$49, respectively, which was determined with reference to then par value of the shares of Bright Access. The consideration was settled in or about February 2013 in cash.

Following the aforesaid share allotment, Bright Access was owned as to 50% by Mr. Chan Wing Chung and 50% by Mr. Ip Ying Chau.

As part of the Reorganisation, on 22 July 2015, Mr. Chan Wing Chung and Mr. Ip Ying Chau as vendors and Jia Jian as purchaser, entered into a sale and purchase agreement, pursuant to which Jia Jian acquired 50 shares and 50 shares of Bright Access, being its entire issued shares in aggregate, from Mr. Chan Wing Chung and Mr. Ip Ying Chau, respectively, and in consideration thereof, Jia Jian in aggregate issued and allotted 2 shares of Jia Jian, credited as fully paid, to Glory Port.

After the aforesaid share transfer, Jia Jian held all the issued shares of Bright Access and Bright Access became a wholly-owned subsidiary of Jia Jian.

Win Target

Win Target was incorporated in Hong Kong with limited liability on 6 December 2012, and was wholly-owned by Company Kit Secretarial Services Limited, which was a former shareholder and director of Win Target, and is not otherwise connected with our Company and its connected persons.

Win Target did not commence business since its incorporation until Mr. Ng Hin Cheung, a director of Goldfield, who has extensive experience in the construction industry, wished to co-operate with Mr. Chan Wing Chung and Mr. Ip Ying Chau to develop foundation works business in 2013. Goldfield is owned as to 0.00002% by Gainfine Investment Limited and approximately 99.99% by Goldfield Group Holdings Limited, a company incorporated in the BVI. Gainfine Investment Limited is owned as to 0.01% by Mr. Ng Hin Cheung and 99.99% by Goldfield Group Holdings Limited. Accordingly, (i) on 28 February 2013, Progressive Foundation and Goldfield subscribed for 6,999 shares and 3,000 shares of Win Target at a consideration of HK\$6,999 and HK\$3,000, respectively, which was determined with reference to the then par value of the shares and was settled in or about February 2013 in cash; and (ii) on 6 March 2013, Progressive Foundation acquired one share of Win Target from Company Kit Secretarial Services Limited for a consideration of HK\$1, which was determined with reference to the then par value of the share and was settled in or around March 2013.

Following the aforesaid share allotments and share transfer, Win Target was owned as to 70% and 30% by Progressive Foundation and Goldfield, respectively.

As part of the Reorganisation and for the purpose of realising its investment in Win Target by Goldfield, on 31 March 2015, Goldfield, as vendor, and Progressive Foundation, as purchaser, entered into a sale and purchase agreement, pursuant to which Progressive Foundation acquired 3,000 shares in Win Target, representing 30% of its issued shares, from Goldfield at a consideration of HK\$1,959,531, which was determined with reference to its then net asset value and was settled in or around March 2015.

After the aforesaid share transfer, Win Target is wholly-owned by Progressive Foundation.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

Disposal of Kinwick Limited (“Kinwick”)

Kinwick was incorporated in Hong Kong with limited liability on 23 May 2014 and was wholly-owned by Comkit Limited, which was a former shareholder of Kinwick and is not otherwise connected with our Company and its connected person.

On 20 August 2014, Bright Access and Unicon Limited (“**Unicon**”) subscribed for 49 shares and 50 shares of Kinwick respectively, at the respective consideration of HK\$49 and HK\$50, which was determined with reference to the then share capital of Kinwick and was settled in or around August 2014 in cash. Unicon is a company wholly-owned by Mr. Chu Chi Chung, a director of Kinwick and is not otherwise connected with our Company and its connected persons.

On 29 August 2014, Bright Access acquired one share of Kinwick from Comkit Limited for a consideration of HK\$1, which was determined with reference to the then share capital of Kinwick and was settled in or around August 2014 in cash. Following the aforesaid share allotments and transfer, Kinwick was owned as to 50% by Bright Access and 50% by Unicon.

Our Group originally invested in Kinwick for the purpose of co-operation between our Group and Mr. Chu Chi Chung, the director and ultimate beneficial owner of Unicon which had been carrying on machinery rental business, to develop machinery rental business. However eventually Kinwick has never commenced business since its incorporation. Accordingly, our Directors decided to dispose of Bright Access’s shareholding in Kinwick in preparation for the Listing.

As part of the Reorganisation, on 24 April 2015, Bright Access, as vendor, and Unicon, as purchaser, entered into a sale and purchase agreement, pursuant to which Unicon acquired 50 shares of Kinwick, representing 50% of its then issued shares, from Bright Access at a consideration of HK\$50, which was determined with reference to the share capital of Kinwick and was settled in or around April 2015. Upon the aforesaid share transfer, our Group no longer has any shareholding interest in Kinwick.

Corporate Reorganisation

Our Company completed the Reorganisation on 23 July 2015 in preparation for the Listing, pursuant to which our Company became the ultimate holding company of our Group. Details of the Reorganisation are set out in the paragraph headed “Corporate Reorganisation” in Appendix IV to this prospectus.

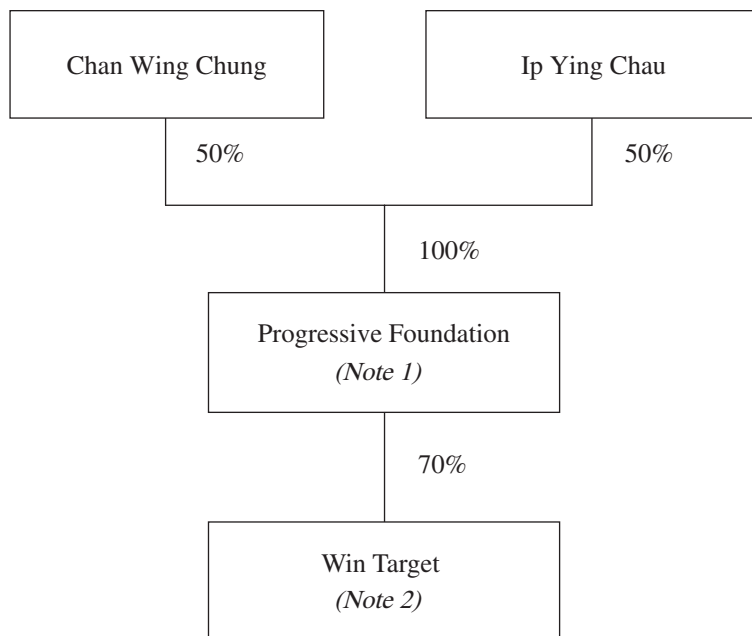
As advised by our Directors, the changes of shareholdings in Chung Shun, Bright Access, Progressive Foundation and Win Target, being subsidiaries of our Company incorporated in Hong Kong, under the Reorganisation would not require any approval or permit from any relevant Government authorities in Hong Kong.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

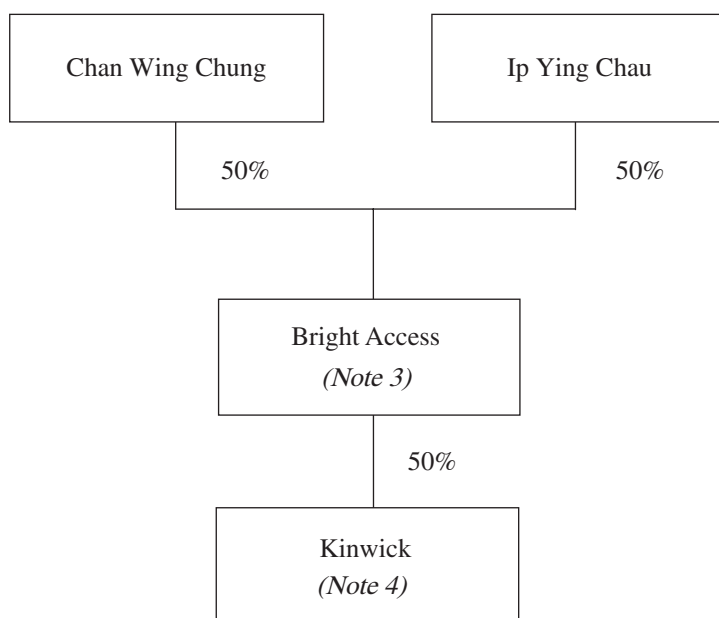
OUR GROUP STRUCTURE

The following diagram sets out the corporate structure of our Group immediately before the Reorganisation:

Progressive Foundation and Win Target

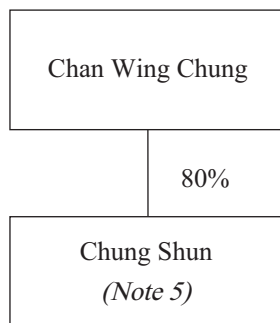


Bright Access



HISTORY, DEVELOPMENT AND GROUP STRUCTURE

Chung Shun

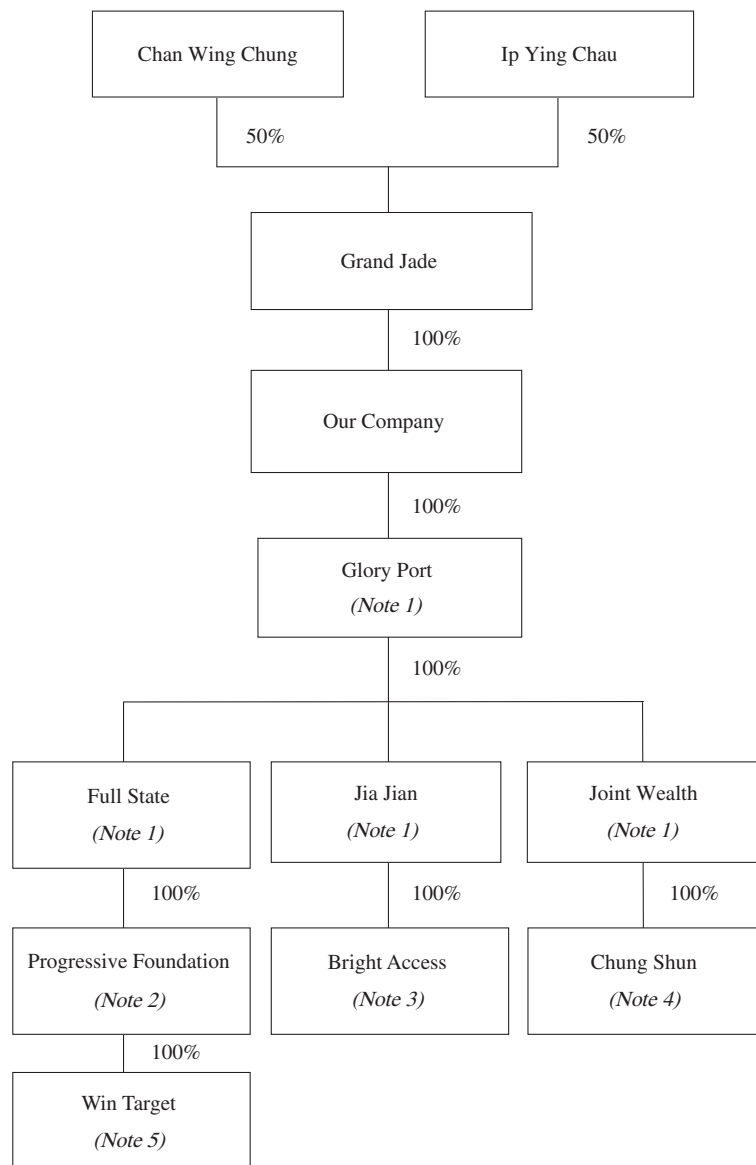


Notes:

- (1) Progressive Foundation is principally engaged in provision of foundation engineering works and project management business in Hong Kong.
- (2) Win Target is principally engaged in foundation engineering works business in Hong Kong. The remaining 30% shareholding was owned by Goldfield, which is owned as to 0.00002% by Gainfine Investment Limited and approximately 99.99% by Goldfield Group Holdings Limited, a company incorporated in the British Virgin Islands. Gainfine Investment Limited is owned as to 0.01% by Mr. Ng Hin Cheung and 99.99% by Goldfield Group Holdings Limited. Goldfield, Gainfine Investment Limited, Goldfield Group Holdings Limited and Mr. Ng Hin Cheung are former direct/indirect shareholder and/or director of Win Target and each of them is not otherwise connected with our Company and its connected persons.
- (3) Bright Access is principally engaged in foundation business in Hong Kong.
- (4) Kinwick has not commenced business since its incorporation. The remaining 50% shareholding was owned by Unicon Limited, which is wholly-owned by Mr. Chu Chi Chung. Unicon and Mr. Chu Chi Chung are direct/indirect shareholder and/or director of Kinwick and each of them is not otherwise connected with our Company and its connected persons.
- (5) Chung Shun is principally engaged in provision of construction works, which include foundation works and ancillary services, and heavy duty machines business. The remaining 20% shareholding was owned by Mr. Kwan Chung Shing, who was a former shareholder and director of Chung Shun, and is a member of the senior management of Chung Shun and is not otherwise connected with our Company and its connected persons.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

As part of the Share Offer, the Vendor (i.e. Grand Jade) will offer 286,000,000 Sale Shares for sale under the Placing. For details of the sale of the Sale Shares by the Vendor, please refer to the section headed “Structure of the Share Offer” of this prospectus. The following diagram sets out the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Capitalisation Issue and the Share Offer:

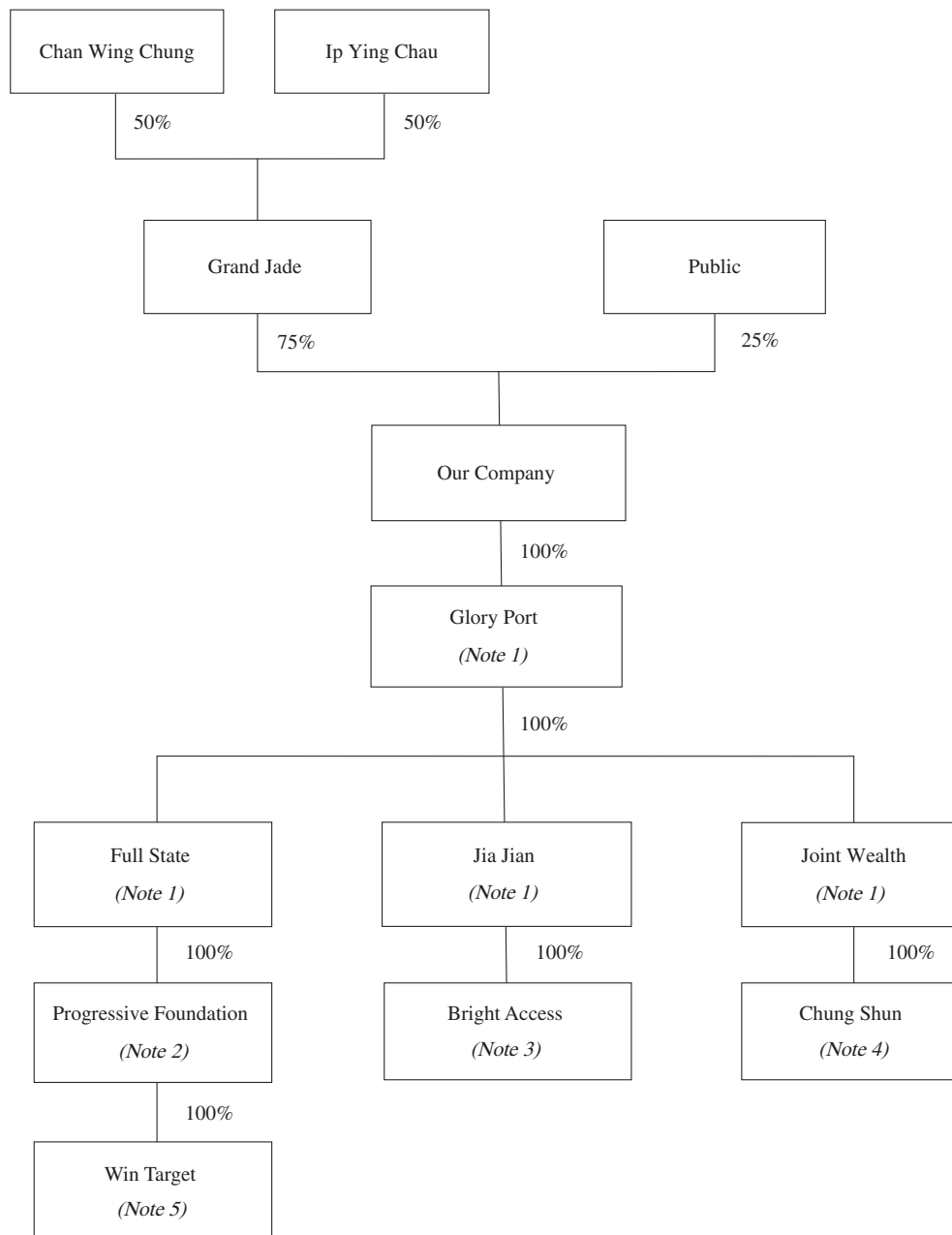


Notes:

- (1) Glory Port, Full State, Jia Jian and Joint Wealth are investment holding companies.
- (2) Progressive Foundation is principally engaged in provision of foundation engineering works and project management business in Hong Kong.
- (3) Bright Access is principally engaged in foundation business in Hong Kong.
- (4) Chung Shun is principally engaged in provision of construction works, which include foundation works and ancillary services, and heavy duty machines business in Hong Kong.
- (5) Win Target is principally engaged in foundation engineering works business in Hong Kong.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

The following diagram sets out the corporate structure of our Group after completion of the Reorganisation and immediately after completion of the Capitalisation Issue and the Share Offer:



Notes:-

- (1) Glory Port, Full State, Jia Jian and Joint Wealth are investment holding companies.
- (2) Progressive Foundation is principally engaged in provision of foundation engineering works and project management business in Hong Kong.
- (3) Bright Access is principally engaged in foundation business in Hong Kong.
- (4) Chung Shun is principally engaged in provision of construction works, which include foundation works and ancillary services, and heavy duty machines business in Hong Kong.
- (5) Win Target is principally engaged in foundation engineering works business in Hong Kong.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

BUSINESS DEVELOPMENT

The following are the major developments and milestones of our Group to date:

November 2001	Chung Shun was incorporated in Hong Kong on 21 November 2001
December 2003	Chung Shun commenced its first foundation works project as a subcontractor with a contract value of over HK\$40.0 million
May 2006	Chung Shun commenced its first waste sorting project as a subcontractor with a contract value of approximately HK\$7.0 million
November 2006	Chung Shun commenced its first public fill bank project as a subcontractor with a contract value of over HK\$60.0 million
October 2008	Bright Access was incorporated in Hong Kong on 20 October 2008
March 2011	Bright Access commenced its first foundation works project as a subcontractor with contract value of over HK\$30.0 million
May 2012	Progressive Foundation was incorporated in Hong Kong on 11 May 2012
September 2012	Progressive Foundation commenced its first foundation works and ancillary services project as a subcontractor
September 2012	Chung Shun was first registered with the Subcontractor Registration Scheme of the Construction Industry Council
December 2012	Win Target was incorporated in Hong Kong on 6 December 2012
March 2013	Win Target commenced its first foundation works and ancillary services project as a subcontractor with a contract value of over HK\$30.0 million
December 2013	Chung Shun was registered as a minor works contractor with the Building Authority
March 2015	Progressive Foundation and Bright Access were awarded the OHSAS 18001: 2007 certificate by Bureau Veritas Certification Hong Kong Limited
April 2015	Progressive Foundation and Bright Access were awarded the ISO 9001: 2008 and ISO 14001: 2004 certificates by Bureau Veritas Certification Hong Kong Limited
May 2015	Bright Access was registered with the Subcontractor Registration Scheme of the Construction Industry Council

BUSINESS

OVERVIEW

We are principally engaged in the provision of (i) foundation works and ancillary services; and (ii) construction wastes handling at the public fill reception facilities managed by the Government in Hong Kong.

During the Track Record Period, the foundation works provided by our Group mainly included site formation works, ELS works, piling construction, pile caps or footing construction and reinforced concrete structure works and ancillary services mainly included hoarding and demolition works. Our construction wastes handling services mainly included the management and operation of public fill reception facilities, including public fill banks and temporary construction waste sorting facilities, for C&D materials. We undertook primarily construction projects in the private sector in Hong Kong and were generally engaged as a subcontractor or sub-subcontractor.

During the Track Record Period, our revenue was approximately HK\$234,752,000, HK\$238,541,000 and HK\$305,313,000 for each of the three years ended 31 March 2015, respectively. Foundation works and ancillary services contributed revenue of approximately HK\$173,739,000, HK\$170,070,000 and HK\$243,753,000, representing approximately 74.0%, 71.3% and 79.8% of our total revenue for each of the three years ended 31 March 2015, respectively; while construction wastes handling services contributed revenue of approximately HK\$61,013,000, HK\$68,471,000 and HK\$61,560,000, representing approximately 26.0%, 28.7% and 20.2% of our total revenue for each of the three years ended 31 March 2015, respectively.

Our direct customers are primarily the main contractors of various types of property development or civil engineering projects in Hong Kong, whose owners are our ultimate customers. As subcontracting is a common practice in the construction industry in Hong Kong, we, as subcontractor or sub-subcontractor, secure our projects from main contractors or other subcontractors, respectively, in general, after a competitive bidding process, whereby we are invited to submit our quotation. During the Track Record Period, revenue derived from our five largest customers, which were mainly main contractors or subcontractors based in Hong Kong, amounted to approximately 82.6%, 74.2% and 86.8%, respectively, of our total revenue. We have maintained a stable relationship with our major customers who often refer engineering projects to us based on our expertise. Our five largest customers, by revenue, during the Track Record Period have maintained business relationship with us for a period ranging from one to 12 years.

During the Track Record Period, we subcontracted some of our construction works such as some kinds of piling construction, reinforced concrete structure works, ground investigation works and design works to subcontractors for the purposes of better allocating our resources. During the Track Record Period, subcontracting charges incurred by our five largest subcontractors accounted for approximately 66.6%, 58.9% and 68.6%, respectively, of our total subcontracting charges. Our five largest subcontractors, by cost of sales, during the Track Record Period have maintained business relationship with us for a period ranging from one to four years.

Our suppliers primarily provide us with machineries and construction materials such as concrete and steel reinforcement bars, structural steel and diesel fuel. During the Track Record Period, our five largest suppliers accounted for approximately 49.6%, 51.9% and 42.6%, respectively, of our total cost of construction materials and supplies. Our five largest suppliers, by cost of sales, during the Track Record Period have maintained business relationship with us for a period ranging from one to eight years.

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According to the Ipsos Report, various factors including the increase in the housing supply in Hong Kong, redevelopment plans of the Government, together with the “Ten Major Infrastructure Projects”, will continue to be drivers of growth in the foundation and substructure industry in Hong Kong. In view of these growth drivers, our Directors anticipate the number of foundation and substructure construction projects in Hong Kong will increase. For the construction wastes handling services industry, the main growth drivers are the increase in construction waste, as a result of the increasing construction activities mentioned above and the associated demolition and site preparation works, together with the continual support from the Government of the green initiative to minimise the disposal of C&D waste at the landfills. To the extent that our Group is successful in securing these contracts, our business should grow gradually. For details, please refer to the section headed “Industry Overview” of this prospectus.

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

We are an established construction works subcontractors in Hong Kong capable of providing wide range of construction services

We are well established and have been providing foundation works for nearly 12 years. Our Group boasts the ability to complete, through our own resources or the skillful coordination and management of our subcontractors, various types of foundation construction projects. During the Track Record Period, we were engaged in 55 projects (including foundation works and ancillary services projects and construction wastes handling projects) in Hong Kong and during the Track Record Period and up to the Latest Practicable Date, we completed 44 projects. As at the Latest Practicable Date, we had 16 projects which were under progress or yet to commence. For details of these projects, please refer to the paragraph headed “Our projects” in this section. We differentiate ourselves from other ordinary foundation subcontractors by providing not only construction services, but also design of temporary or permanent structural elements, including the site formation, the ELS and the piling and pile cap layout. Riding on our technical expertise and the knowledge of the properties of various types of construction materials, we are capable of providing pragmatic approach in construction and submitting economical quotation for potential projects, some of which require design-and-build and/or lump sum contracts.

Established reputation and proven track record

We have established a reputation as a dedicated subcontractor achieving customer satisfaction and quality of work which in turn enable us to gain confidence from our customers and therefore increases the opportunities of winning new projects from customers. We believe that our proven track record and our ability to deliver our jobs on time and in the first time without the need of making good in a safe and responsible manner are factors crucial to our success in the industry, allow us to maintain our clientele base and open doors for further job referrals from customers who are satisfied with our work quality.

We have an experienced management team

Our management team has extensive knowledge in the foundation business. Three of our executive Directors, namely Mr. Ip Ying Chau, Mr. Chan Wing Chung and Mr. Chan Chiang Kan, all have over 16 years of experience in the construction industry, respectively and they possess the relevant professional qualifications. Mr. Chan Chiang Kan is a member of the Hong Kong Institution of Engineers, a registered professional engineer (civil) and a member of the Institution of Civil Engineers. Mr. Ip Ying Chau and Mr. Chan Wing Chung are responsible for formulating co-operative and business strategies and making major operational decisions. As at the Latest Practicable Date, a majority of our management team had either completed tertiary education or above or possesses professional qualifications such as chartered engineers. For details of the qualification and experience of our Directors and senior management, please refer to the section headed “Directors, Senior Management and Staff” of this prospectus. Their qualifications and experience facilitate the formulation of competitive quotations, which are essential in securing new business, and in deciding the best suitable construction methodology in order to carry out our project works in an economical, efficient and timely manner. Our Directors believe that the combination of our management and technical teams’ collective expertise and knowledge of the industry, together with our highly qualified employees, have been and will continue to be our Group’s valuable assets and strive our Group towards greater success.

We are experienced in construction wastes handling at the public fill reception facilities managed by the Government in Hong Kong

We have been engaged as the subcontractor for the operation and maintenance of at least one of the public fill banks and temporary construction waste sorting facilities managed by the Government in Hong Kong since 2006. We believe we are one of the few subcontractors in Hong Kong that possesses the relevant experience in construction wastes handling services, given the limited number of such public fill reception facilities in Hong Kong. Our Directors believe that our experience in and track record of operating and maintaining these facilities in an efficient and orderly manner have essentially given us the edge for competing future similar projects from the main contractors, who would consider relevant experience as one of the selection criteria. We also maintain a portfolio of the required machinery and vehicles for the operation and maintenance of at least one of the public fill banks and temporary construction waste sorting facilities managed by the Government in Hong Kong.

We possess a range of updated machinery

Our business relies heavily on the usage of different heavy and specialised machineries, such as loaders, excavators, dump lorries, mobile cranes, hydraulic breakers, air compressors, generators, light drilling rigs and compactors, etc. We generally acquire machineries from reputable suppliers. With the possession of a wide variety of machineries, we were able to rent some of our machineries, such as vibrator, air compressors and excavators, to third parties contractors/subcontractors during the Track Record Period to improve their utilisation rate and expand our income source. Generally, our executive Directors will regularly review the status and functioning of our machinery. For each of the three years ended 31 March 2015, we invested in new machinery and equipment in the amount of approximately HK\$13.7 million, HK\$7.8 million, and HK\$28.7 million at cost, respectively. We believe that our investment in machinery has improved our position to undertake foundation works projects of different scales and complexity and construction wastes handling projects. Our Directors also consider that the possession of our own fleet of machinery allows us to devise flexible construction

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plans and apply suitable machinery specifically catered to the needs and requirements of different customers, as well as enables us to schedule our projects and deploy our manpower efficiently and effectively.

We are flexible and capable of providing recommendations for projects

Our talents and expertise of our management team enable us to provide recommendations on projects in order to meet our customers' requirements. In the course of project execution, our project team will from time to time provide updates on the progress and discuss issues arising from the projects both internally and externally with our customers. Our Directors believe that with the expertise of our management team and the regular updates and discussions on the projects, we are able to make decisions and recommendations in a timely manner. By catering to our customers' needs and provide to them our timely solutions, we believe this helps us to strengthen the relationship with our customers. For details of our Directors and senior management, please refer to the section headed "Directors, Senior Management and Staff" of this prospectus.

We have stable relationships with our key customers

We have established stable business relationships with our key customers and the longest of which has nearly 12 years of relationship with us. Among our five largest customers, by revenue, during the Track Record Period, we have been providing services to them for a period ranging from one to 12 years and a majority of such periods being over four years. Our Directors are of the view that our operating history, together with the long-term relationships with our customers, would increase our recognition and visibility in the market and enable us to attract potential business opportunities.

CORPORATE STRATEGIES

The principal business objective of our Group is to further strengthen our position in the foundation works business as well as the handling of C&D materials at the public fill reception facilities in Hong Kong. We intend to achieve our future expansion plans by adopting the following key strategies:

Compete for sizeable and profitable foundation works projects

The number and size of foundation works projects that can be executed by our Group concurrently at any given time is limited by our resources including the capacity of our machinery and the availability and experience of our manpower. In other words, the bottleneck of our profitability would be caused by the insufficient or the inability to locate plants and machinery and skilled labours during operation period of a project. As such, our Directors believe that our Group should focus on deploying our resources towards competing for sizeable and profitable foundation works projects in Hong Kong. Specifically, this will include the acquisition of additional plants and machinery, which mainly include drill rigs, air compressors, crawler cranes, crane lorries and vibro hammer and improving the welfare and fringe benefits of our staff to improve their morale and loyalty and aligning their interest with our Group. We will also sharpen our efforts in securing new projects, to this end we will proactively maintain relationship with the major main contractors in Hong Kong and submit more quotations in an effort to fill our project pipeline. Our Directors consider that these have to be adopted concurrently so as to minimise the idling time of the machinery or avoid costs incurred for excessive manpower.

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Acquisition of additional machinery

Most of our works require the use of different machinery. Our capacity to carry out foundation works services and construction wastes handling for our customers depends largely on the availability of our machinery. We believe our investment in machinery has placed us in a position to cater to foundation projects and construction wastes handling businesses projects of large scales and higher complexity. We therefore intend to acquire additional machinery so as to enhance our technical ability and to strengthen our capability to cope with different needs and requirements of different customers and to meet the expected growing demand in the foundation works industry and construction wastes handling in Hong Kong in the foreseeable future. Such additional machinery includes but not limited to drill rigs, air compressors, crawler cranes, crane lorries and vibro hammer. Our Directors believe that by acquiring machinery with higher efficiency and capability it will allow us to take on more complex projects in the future.

We consider that acquiring additional machinery is more preferable than leasing taking into account the overall cost effectiveness stemming from (i) the trend of increasing number of foundation projects which are also more sizeable undertaken by our Group as we have 16 projects on hands as at the Latest Practicable Date with an aggregate contract sum of approximately HK\$624.9 million; (ii) the monthly depreciation of the major types of machinery and equipment (our Group adopts a straight-line depreciation method at 20% per year to account for depreciation expenses of our machinery and equipment) being markedly lower than the monthly rental rate as charged or quoted to our Group, although repair and maintenance costs are normally incurred for owned machineries, our Directors consider these costs to be insignificant; and (iii) the assurance of availability given by self-owned machinery and equipment, given that the foundation industry is expected to experience significant growth in the coming years from 2015 to 2019, according to the Ipsos Report, our Directors are of the view that rental rate trend has been on the rise as driven up by the market demand of the required machineries for performing foundation works, as such, by owning machinery, our Group is also able to save the administrative cost for sourcing readily available yet economical ones.

Further strengthening our manpower

We believe that a strong team of staff members equipped with professional knowledge, skills and experience in the foundation works business and construction wastes handling business is crucial to our continuing success. In addition, the involvement of our Directors and senior management at different stages of the project, such as preparation and submission of tender and quotation, project implementation and execution, is crucial to complete the projects on time and to the satisfaction of our customers. In order to cater to the growing demand for foundation works, we intend to expand our labour resources by recruitment of experienced or skilled staff members, in particular project directors and managers, quantity surveyors, foremen, site agents, plant operators and safety officers in order to drive our business development. In addition, we intend to arrange training workshops or courses for our staff members in relation to work safety and project management, to be conducted either through internal training or by external parties such as other training institutions.

Implementation of business strategies

For details on the implementation of the above-mentioned business strategies, please refer to the section headed “Future Plans and Use of Proceeds” of this prospectus.

As at the Latest Practicable Date, we had not identified any targets for acquisition or any acquisition plan.

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LICENCES AND PERMITS

The following table sets out the details of our major licence and qualifications as at Latest Practicable Date:

Licence or qualification	Type(s)/ Trade(s)	Class(es)/ Specialty(ies)	Awarded target	Issuing body	Expiry date
Registered minor works contractor	Alteration and addition works, repair works, drainage works, works relating to structures for amenities, finishes works, and demolition works	II & III	Chung Shun	Buildings Department	8 October 2016
Registered subcontractor	Foundation and piling, concreting formwork, reinforcement bar fixing, concreting, structural steelwork, and general civil works	Sheet piles, driven piles, timber formwork, reinforcement bar fixing, concreting, structural steelwork, earthwork, roadworks, and road drainage and sewer	Chung Shun	Construction Industry Council	28 May 2017
Registered subcontractor	Demolition, foundation and piling, concreting formwork, reinforcement bar fixing, concreting, structural steelwork, and general civil works	General demolition, sheet piles, driven piles, timber formwork, reinforcement bar fixing, concreting, structural steelwork, earthwork, roadworks, road drainage and sewer, geotechnical works, and ground investigation	Bright Access	Construction Industry Council	28 May 2017

Our Directors confirmed that our Group has obtained all relevant permits, registrations, licences for its existing operations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

To the best knowledge, information and belief of our Directors, each of Chung Shun and Bright Access has never been:

- (a) refused renewal of its registration as a minor works contractor and/or registration on the Subcontractor Registration Scheme; and
- (b) subject to any regulatory action brought by the Buildings Department and/or the Construction Industry Council.

OUR BUSINESS OPERATIONS**Foundation and ancillary services works**

The foundation works that we generally provided during the Track Record Period included (i) piling works; (ii) excavation and lateral support works (ELS works); (iii) construction of footings and pile caps; (iv) site formation works and (v) ground investigation field works. We also provided ancillary services which mainly included hoarding and demolition works in residential, commercial and infrastructure projects in Hong Kong. Depending on specific characteristics of the construction site and our customers' needs, we may provide more than one type of such services in a construction project. Set forth below is a brief overview of each type of services we provided during the Track Record Period:

(i) Piling works

A pile is a columnar foundation element that is installed in the ground and is used to provide support for vertical loads from superstructures and resistance to lateral wind loads. The choice of piles depends on the loading characteristics, geological conditions, environmental issues and cost effectiveness for adopting a certain pile type.

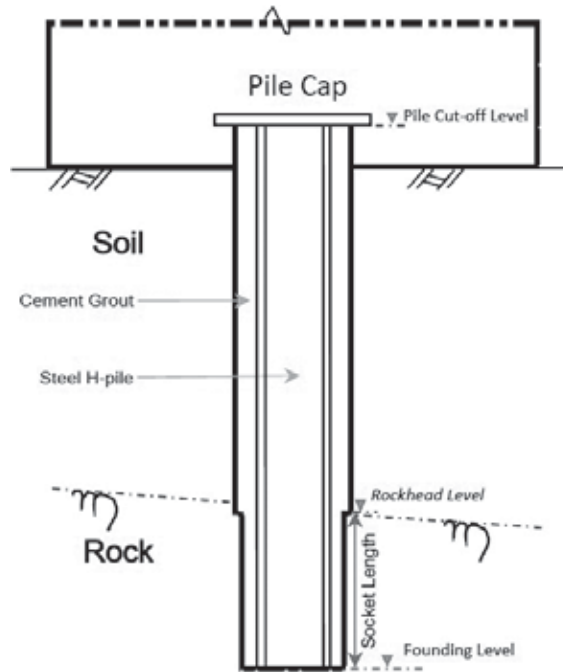
During the Track Record Period, we performed the construction of socketed steel H-piles, mini-piles, large diameter bored piles and driven steel H-piles at different construction sites subject to the specific characteristics of the projects and the customers' needs. In general, construction of mini-piles would be carried out by us, while we would delegate the construction of socketed steel H-piles, large diameter bored piles and driven steel H-piles to our subcontractors as the latter types of piles require the use of the machinery and skilled labours which our Group did not possess.

(a) Socketed steel H-piles

A socketed steel H-pile is designed in accordance with the available friction along pile shaft resulted when it is socketed into the rock. Construction of a socketed steel H-pile begins by drilling a hole on the ground until the hole has extended to sufficient depth (socketing) and socketed into the bedrock stratum and followed by installing a temporary steel casing into the borehole. A steel H-pile is then inserted into the borehole bearing the steel casing and subsequently cementitious materials are grouted in to fill the cavity.

The machinery and equipment required to carry out construction of the socketed steel H-piles are normally relatively small in size. Under the socketed steel H-piles construction method, the piles are embedded in rock socket, where shaft resistance is mobilised to support the foundation loads. With such aforesaid features, socketed steel H-piles are generally used to accommodate sloping and congested sites.

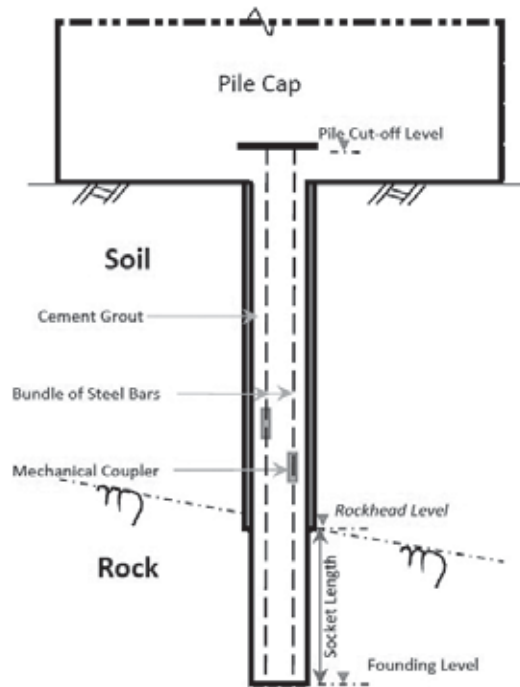
The following diagram illustrates the typical construction of a rock-socketed steel H-pile:



(b) Mini-piles

A mini-pile usually consists of four or more steel bars encased by grout inside a pre-bored hole not exceeding 300 mm in diameter. Similar to socketed steel H-piles, mini-piles are normally designed to be socketed into rock down to about 60 m deep below ground. Mini-piles are usually chosen for sites with difficult access and sloping grounds. During drilling operation, permanent steel casing is provided for supporting the pre-drilled hole within the soil and/or fractured rock. In general, they can overcome large or numerous obstructions in the ground.

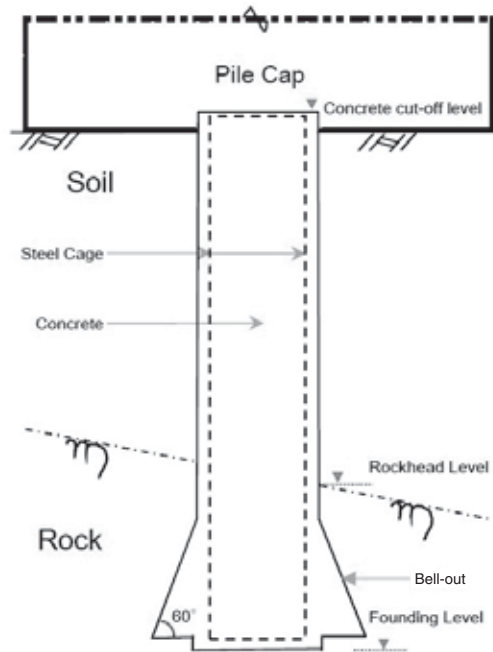
The following diagram illustrates the typical construction of a mini-pile:



(c) *Large diameter bored piles*

Large diameter bored piles are a kind of end bearing piles which can be used to support heavy loads of tall buildings and highways structures. Bored piles construction begins by drilling a circular hole in the ground by way of grab or reverse circulation drill excavating (inside a steel casing) until suitable stratum or bedrock is reached. While excavating each circular hole (also known as “**pile shaft**”), a steel casing must be driven down to bored holder at the same time so as to stabilise the walls of the pile shaft and prevent soil from collapsing into the pile shaft. After the pile founding level has been confirmed, the pile base is enlarged to form a bell-out, thus to further increase the pile load bearing capacity. Finally, cement slurry is pumped under pressure to fill the bored hole to form a reinforced concrete pile. Large diameter bored piles can be used to support heavy column loads to support high superstructure or to construct foundation works under unstable or difficult soil condition.

The following diagram illustrates the typical structure for construction of a large diameter bored pile:



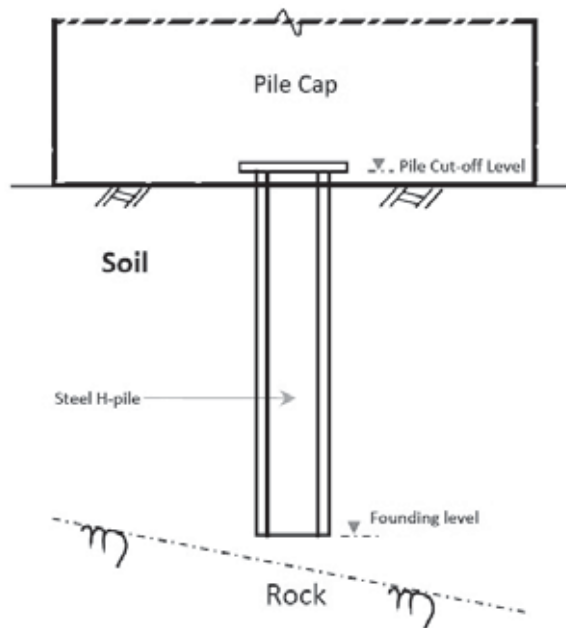
In Hong Kong, the main advantages of large diameter bored piles over other type piling methods include (i) their high load bearing capacity; (ii) their adaptability to various superstructure loading requirements; (iii) little vibration so they are non-percussion cast in-situ; and (iv) low noise level, thus reducing disturbance to the surrounding population.

(d) Driven steel H-piles

Driven steel H-pile is a specific type of pile foundation where a steel H-pile is driven into the ground either vertically or at an angle to the vertical by a large pile hammer. When a pile is driven into ground, simultaneously, the soils around the slides of the driven pile is compacted which will increase the bearing capacity of the pile. Subject to the geological condition of the site, the steel H-piles may either be cut-off to shorten their length or be connected to extend their length. Driving of steel H-piles can be constructed at close centres with a minimum of ground heave as it involves a small extent of soil displacement.

Because of their characteristics of ease of handling, better driveability and cost effectiveness comparing with that of socketed steel H-piles and bored piles, driven steel H-piles have been widely used in Hong Kong.

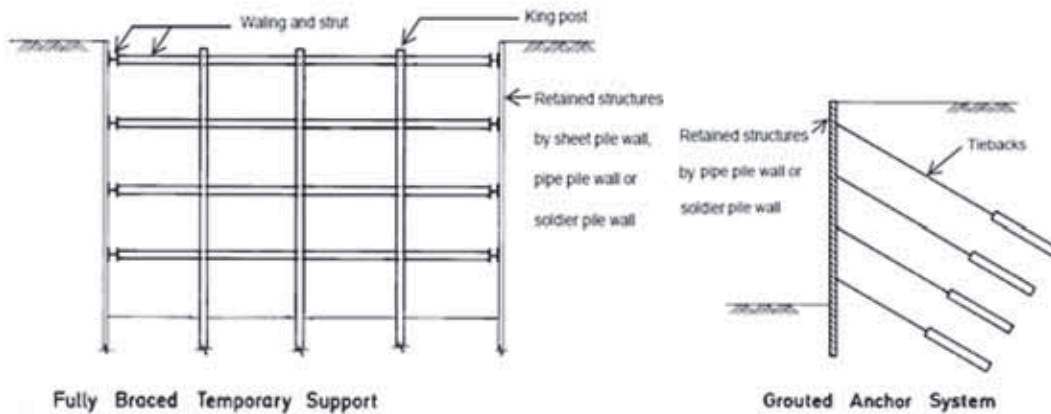
The following diagram illustrates the typical structure driven steel H-pile structure:



(ii) Excavation and lateral support works (ELS works)

Substructure construction, which generally includes construction of basements and underground utilities beneath the superstructure, is common in Hong Kong because land is limited and buildings tend to develop vertically up and down. The general purpose of ELS works is to establish a supported area for deep excavation so as to facilitate subsequent construction of footing foundation or pile caps for further infrastructure development. Generally, ELS works begin by penetrating pipe walls making of sheet piles, pipe piles or soldier piles as retained structures around the designated area where excavation will be done. When the level of excavation reaches specific depth, layers of horizontal wailings and struts will then be installed to provide lateral bracing for the pile walls, and depending on the depth and soil condition, vertical king-posts will also be installed. After installation of sufficient lateral supports, further excavation will be performed again. The steps of excavation and installation of wailings and struts will be repeated until desired depth of excavation is reached. In general, tiebacks, cross-lot steel struts and raking struts are usually used as lateral supports for deep excavation in Hong Kong.

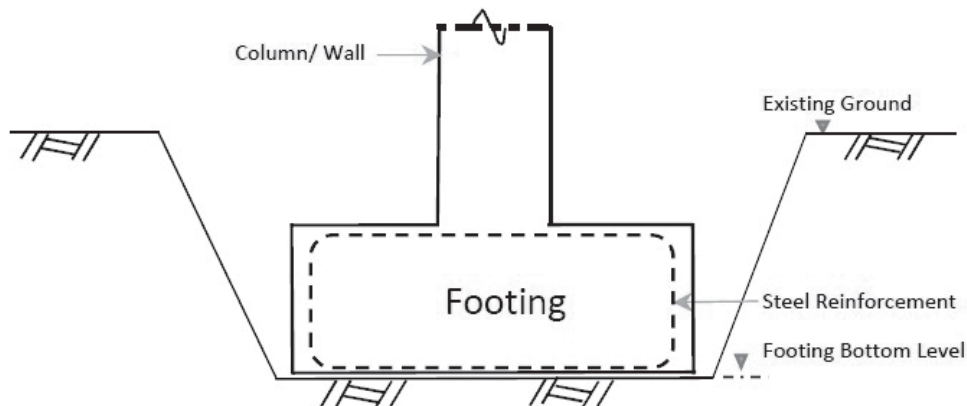
The following diagrams illustrate the typical lateral support systems of ELS works installed or designed by our Group:



(iii) Construction of footings and pile caps

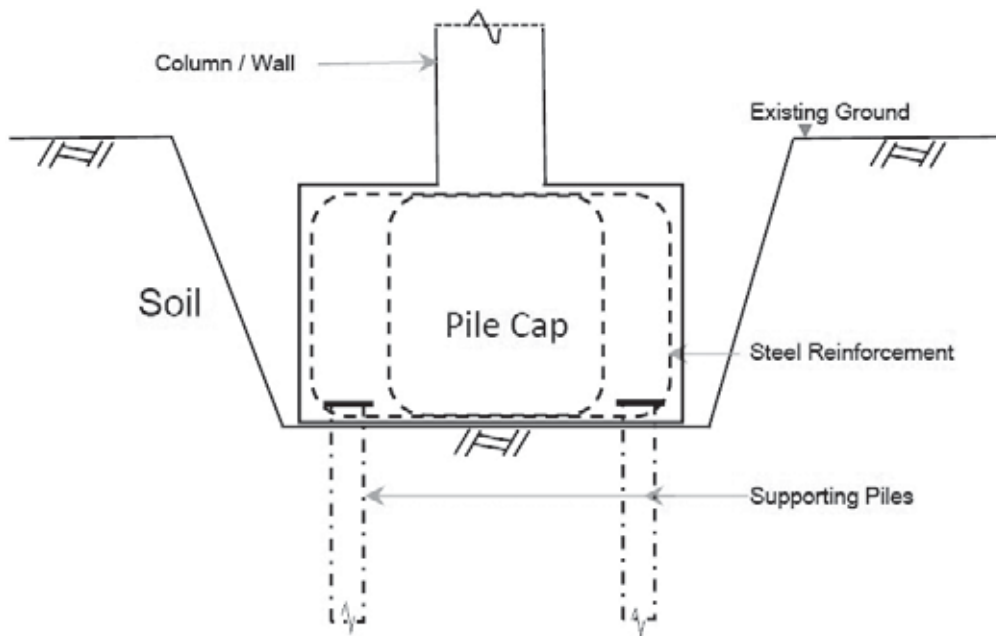
Footing is a type of shallow foundation which transfers building loads to a shallow bedrock layer or undisturbed soil. There are three common types of footings, namely strip, pad and raft. Most of the footings are formed by pouring concrete into a trench and constrained by some kind of formwork.

The following diagram illustrates the typical footing foundation structure:



Pile caps are concrete structures built on the head of a pile or a group of piles in order to transmit the superstructure loads, i.e. from columns or walls to the pile. If so required, a pile cap will be built on the heads of a group of piles, so that the load can be shared between the piles. Another function, among others, of pile caps is to accommodate deviations in positioning of piles from their original planned positions. The difference between footings and pile caps is that footings transfer the load directly to the bedrock while pile caps transfer the load onto piles.

The following diagram illustrates the typical construction of a pile cap:



(iv) Site formation works

Generally, site formation works mainly include removal of buildings or unwanted structures, shrubs and trees, surface soil and debris; excavation on sloping land to design formation level, reduction of natural slope or filling land areas; natural slope stabilisation works; and construction of access roads and drainage systems at construction sites. Generally, site formation works are aiming to prepare a construction site for subsequent foundation works, substructure construction, and/ or superstructure construction. During the Track Record Period, the site formation works provided by us included sloping land excavation, reduction and stabilisation of existing slopes, and forming construction site back-up facilities including access roads, drainage and sewage works.

(v) Ground investigation field works

Before or during commencement of any foundation works, ground investigation will be performed in order to ascertain the geological and geotechnical parameters of the underlying strata of the site. One of the main objectives of ground investigation is to find the sub-soil conditions and founding level for the piles so that suitable type and extent of piles can be selected for the superstructure to be constructed thereon. During the Track Record Period, the ground investigation works were either carried out by our customers or by our ground investigation subcontractors.

(vi) *Demolition works*

Demolition means dismantling, razing, destroying or wrecking any building or structure or any part thereof by pre-planned and controlled methods. In general, the scope of demolition works include demolition of existing structures and removal of wastes in order to get the construction site ready for next construction step.

Construction wastes handling services

Construction wastes are generated from construction activities, which include, among others, site clearance, excavation, construction, refurbishment, renovation, demolition and road works. The producers of construction wastes need to open a billing account with the EPD prior to using government waste disposal facilities and pay for the construction waste disposal charge. Our Directors acknowledged that the Government has adopted several strategies in managing construction wastes, including reducing the generation at source, charging on disposal of construction waste, recycling of inert hard construction waste and reuse of inert construction waste.

The CEDD manages the public filling areas, public filling barging points, public fill stockpiling areas, fill banks and C&D material recycling facility, which are collectively regarded as public fill reception facilities and are known as the follows:

- Tseung Kwan O Area 137 Public Fill Bank and Sorting Facility
- Tuen Mun Area 38 Fill Bank and Sorting Facility
- Chai Wan Public Fill Barging Point
- Mui Wo Temporary Public Fill Reception Facility

The public fill reception facilities are designed for temporary stockpiling of surplus fill materials for later beneficial reuse. In the Tseung Kwan O Area 137 and Tuen Mun Area 38 the Government also set up C&D material sorting facilities where mixed C&D materials containing more than 50% by weight of inert materials can be delivered to the sorting facilities and the sorted inert fill materials will be stored in the fill banks for later beneficial reuse.

During the Track Record Period, our Group has participated in one project of works at Tseung Kwan O Area 137 Public Fill Bank and Chai Wan Public Fill Barging Point (as a subcontractor under the CEDD's main contract number CV/2009/02 with contract period from December 2009 to January 2014) and one project of operation and maintenance of construction waste sorting facilities in Tseung Kwan O Area 137 and Tuen Mun Area 38 (as a subcontractor under the CEDD's main contract number CV/2013/09 with contract period from December 2013 to December 2016).

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To our Directors' best knowledge, different construction wastes have to be transported to different waste disposal facilities as summarised in the table below:

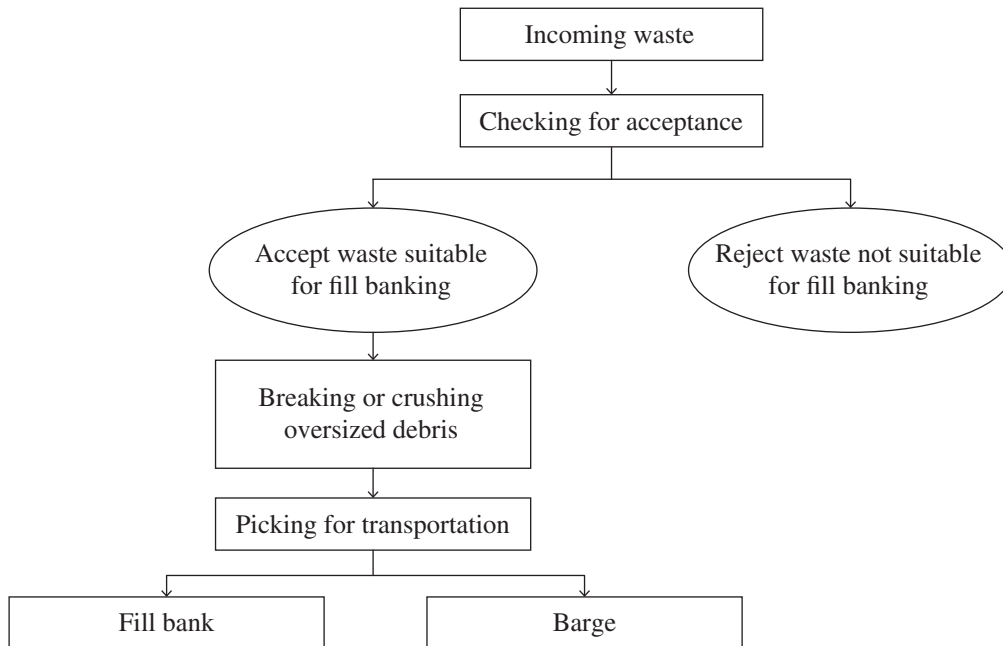
Government waste disposal facility	Type of construction waste accepted
Public fill reception facility	Consisting entirely of inert construction waste
Sorting facility	Containing more than 50% by weight of inert construction waste
Landfills	Containing not more than 50% by weight of inert construction waste

Works at Tseung Kwan O Area 137 Public Fill Bank and Chai Wan Public Fill Bank Barging Point (subcontract under the CEDD's main contract number CV/2009/02)

We were totally subcontracted this project from the main contractor who was awarded by the CEDD. In this project we were responsible for the daily operation of the public fill reception facilities, namely the Tseung Kwan O Area 137 Public Fill Bank and the Chai Wan Public Fill Bank Barging Point. When lorry carrying entirely of inert construction wastes enters the reception facilities at the reception area, a corresponding CHIT should be presented by the waste hauler to our staff on site and the lorry is weighed at the in-weighbridge and inspected as to whether the wastes are permitted to be discharged at the facility. Video recorders are installed at the top of the reception to facilitate our staff to examine the inside of the lorry and determine whether the wastes are entirely of inert construction waste. If the contents of the wastes fail to comply with the acceptance criteria (e.g. mixing with other wastes), rejection advice will be issued to the lorry master and the lorry cannot discharge its waste at the reception facility. When accepted, the lorry will be directed to the designated area for unloading the inert construction waste material. After discharging the waste, the lorry will then be weighed again to estimate the weight of waste material discharged. The lorry will then be allowed to leave the facility. We possess a fleet of necessary plants and machineries, within the public fill reception facility to handle the unloaded wastes. We also operate a crushing plant, which is a property of the Government, for the crushing of oversized debris mixed in the unloaded wastes. Bigger pieces of broken concrete or excavated earth will be picked and transported to the fill bank for temporary stock pile or onto the barge for future delivery by sea to reclamation sites or fill banks in Hong Kong. We, however, are responsible only for the transportation arrangement within the fill bank area or onto the barge but not delivery to reclamation sites. In addition to the above, we carried out daily environmental monitoring and implementation of safety and environmental mitigation measures, including formulating the safety and environmental management plan and its continuing update, regular safety and environmental walks and taking necessary measures to keep up the safety and cleanliness on site. A list of environmental requirements was prescribed in our subcontract entered into with the main contractor. The environmental requirements covered air, noise, wastewater and disposal of C&D material aspects and corresponding measures have to be ensured for construction activities at specified locations. Instructions may be given to us to construct facilities inside the public fill reception facility, which may require wheel washing facility, towers for surveillance systems, concrete pavement and barriers, site offices, etc. We also maintained the required daily records, such as the details of the wastes, truck plate number,

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truck entry and departure time, monitoring environmental impacts, etc. and reconciled against the representative of the CEDD. The following chart demonstrates a simplified work flow of our operation at the fill bank or fill bank barging point:



We operated the public fill reception facilities in accordance with the opening hours as specified by the Government and as follows:

Government waste disposal facility Opening hours

Tseung Kwan O Area 137
Public Fill Bank

Mondays to Saturdays (except general holiday): 8:00 a.m. to 9:00 p.m.

Closed on general holidays and Lunar New Year Eve

Chai Wan Public Fill
Barging Point

Mondays to Saturdays (except general holiday): 8:30 a.m. to 6:00 p.m.

Closed on general holidays and Lunar New Year Eve

Our fees were chargeable basically on (i) the period lapsed, which we provided daily routine operations, including site facilities, reporting and administrative services, surveying, provision of plants and equipment, safety and environmental management, etc.; and (ii) in accordance with our work done, which, by and large, referred to amount of construction waste handled and other measured construction activities. The unit rates of these items were included in the form of bills of quantities in the quotation agreed by the main contractor. For each of the year ended 31 March 2013, 2014 and 2015, we recognised revenue of HK\$61,013,000, HK\$57,479,000 and HK\$nil for this project, respectively.

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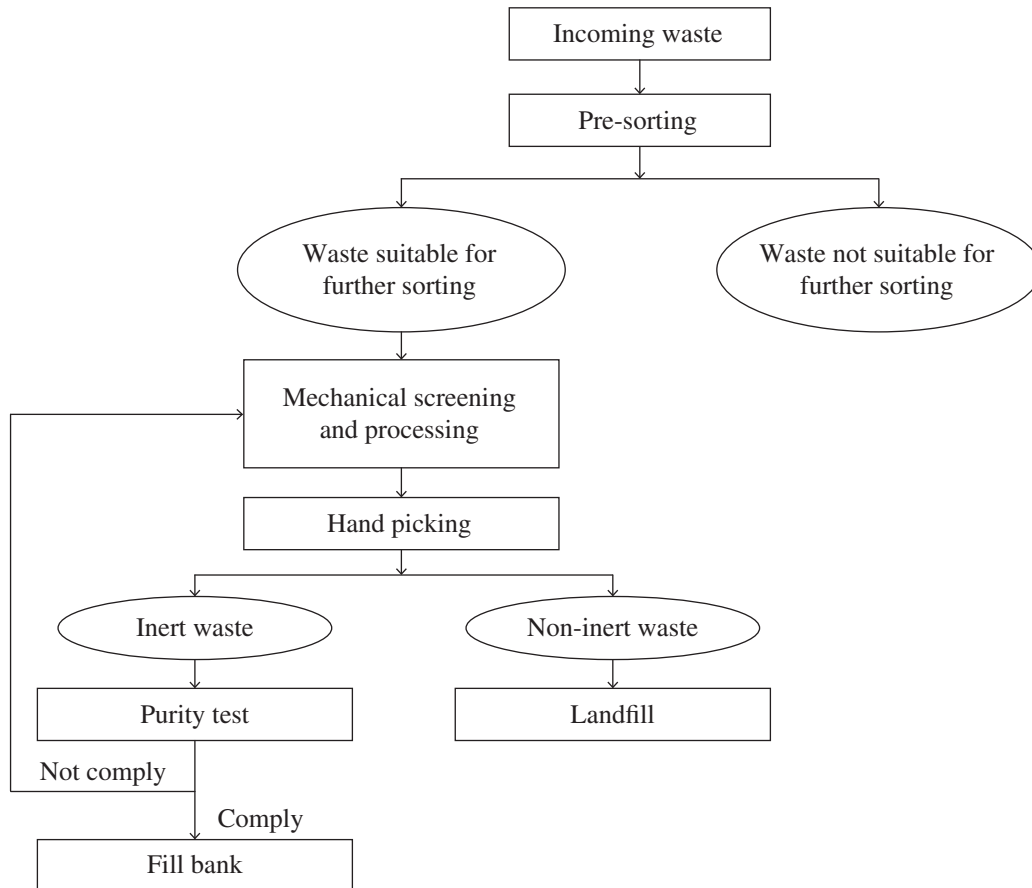
Operation and maintenance of temporary construction waste sorting facilities in Tseung Kwan O Area 137 and Tuen Mun Area 38 (subcontract under the CEDD's main contract number CV/2013/09)

In this project we were the sole subcontractor of the main contractor responsible for the daily operation of the temporary construction waste sorting facilities located at Tseung Kwan O Area 137 and Tuen Mun Area 38. When lorry carrying construction waste material enters the sorting facility at the reception area, a corresponding CHIT should be presented by the waste hauler to our staff on site and the lorry is weighed at the in-weighbridge and inspected as to whether the wastes are permitted to be discharged at the facility. Video recorders are installed at the top of the reception to facilitate our staff to examine the inside of the lorry and determine whether the wastes consist of more than 50% by weight of inert construction waste. In this regard, a weight ratio is computed with the input of tare weight of the lorry. The lorry is only permitted to discharge its waste material only if the weight ratio, the arithmetic formula for computation of which is provided by the Government, so computed exceeds 0.25. If the contents of the wastes fail to comply with the acceptance criteria (e.g. weight ratio is less than 0.25), rejection advice will be issued to the lorry master and the lorry cannot discharge its waste at the sorting facility. When accepted, the lorry will be directed to the designated area for unloading its waste material for sorting. After discharging the waste, the lorry will then be weighed again to estimate the weight of waste material discharged. The lorry will then be allowed to leave the facility.

The temporary construction waste sorting facility includes a pre-sorting process and a mechanical screening process which involves separation of waste by using vibratory and rotary screens, magnetic separators, density separators and handpicking. The aim of the sorting operations is to sort out the inert material from the mixed construction waste material. The sorted inert material will be delivered to the public fill reception facilities for stockpiling while the remaining non-inert waste is then disposed of at landfills. In the pre-sorting process, our labourers screen through the waste composition carried by the incoming lorry and determine whether the wastes are suitable for the mechanical screening. If the wastes are considered to be domestic wastes where no useful materials can be kept for recycling or reuse, the wastes will be transported from the sorting facility to landfill by us through our lorries. If the wastes are mixed with construction wastes which include debris, rubble, earth and concrete suitable for recycling or reuse will undergo the mechanical screening process at the public fill sorting plant. The public fill sorting plant is owned by the Government but is operated by us under the subcontract. The public fill sorting plant is able to separate public fill from the construction wastes. Our operators and machinery work around the public fill sorting plant, from feeding the construction wastes into the plant, to transporting the sorted public fill to the nearby fill bank (Tseung Kwan O Area 137 Fill Bank is located next to the Tseung Kwan O Area 137 Temporary Construction Waste Sorting Facility and Tuen Mun Area 38 Fill Bank next to Tuen Mun Area 38 Temporary Construction Waste Sorting Facility) and the remaining wastes to the nearby landfill, and to maintaining and repairing the public fill sorting plant. In addition to the above, we carry out daily environmental monitoring and implementation of safety and environmental mitigation measures, including formulating the safety and environmental management plan and its continuing update, regular safety and environmental walks and taking necessary measures to keep up the safety and cleanliness on site. A list of environmental requirements is prescribed in our subcontract entered into with the main contractor. The environmental requirements cover air, noise, wastewater and disposal of C&D material aspects and corresponding measures have to be ensured for construction activities at specified locations. Instructions may be given to us to construct, demolish or relocate facilities inside the public fill reception facility, which may require wheel washing facility,

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towers for surveillance systems, concrete pavement and barriers, site offices, etc. We also maintain the required daily records, such as the details of the wastes, truck plate number, truck entry and departure time, monitoring environmental impacts, etc. and reconciled against the representative of the CEDD. The following chart demonstrates a simplified work flow of sorting the C&D material at the temporary construction waste sorting facility:



We operate the temporary construction waste sorting facilities in accordance with the opening hours as specified by the Government and as follows:

Temporary construction waste sorting facility

Opening hours

Tseung Kwan O Area 137
Temporary Construction
Waste Sorting Facility

Mondays to Saturdays (including general holiday): 8:00 a.m. to 10:00 p.m.

Closed on Lunar New Year Day, 2nd Day and 3rd Day

Tuen Mun Area 38
Temporary Construction
Waste Sorting Facility

Mondays to Saturdays (including general holiday): 8:00 a.m. to 8:00 p.m.

Closed on Lunar New Year Day, 2nd Day and 3rd Day

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For each of the year ended 31 March 2013, 2014 and 2015, we have accepted and processed nil, 120,262 and 611,049 tonnes of construction waste material, respectively, of which, nil, 87,818 and 424,788 tonnes were disposed of at landfills and nil, 22,172 and 197,047 were stored at fill banks. Our fees were chargeable basically on (i) the period lapsed, which we provided daily routine operations, including site facilities, reporting and administrative services, surveying, provision of plants and equipment, safety and environmental management, etc.; and (ii) in accordance with our work done, which, by and large, referred to amount of construction waste handled and other measured construction activities. The unit rates of these items were included in the form of bills of quantities in the quotation agreed by the main contractor. For each of the year ended 31 March 2013, 2014 and 2015, we recognised revenue of HK\$nil, HK\$10,992,000 and HK\$61,560,000 for this project, respectively.

OUR PROJECTS

For each of the three years ended 31 March 2015, we completed 14, 18, and 9 projects (including foundation works and ancillary services projects and construction wastes handling projects), respectively.

Projects on hand

As at the Latest Practicable Date, we had 16 projects on hand (including projects in progress and projects which are yet to commence), details of which are as follows:

Number	Location of project	Type of works	Expected completion date	Contract sum <small>(Note 1)</small> <i>HK\$' million</i>	Accumulative turnover recognised during the Track Record Period <small>(Note 1)</small> <i>HK\$'000</i>
1.	Wan Chai district	Foundation works	September 2015	10.5	8,315
2.	Eastern district	Foundation, ELS & pile cap works	August 2015	21.8	14,398
3.	Yau Tsim Mong district	Sheet piling works	November 2015	17.9	–
4.	Yau Tsim Mong district	Earthwork	March 2016	67.0	83,138
5.	Yau Tsim Mong district	ELS and piling works	November 2015	15.9	8,710
6.	Eastern district	Site formation, foundation works	January 2016	18.8	6,103
7.	Yau Tsim Mong district	ELS and piling and structure works	December 2015	38.9	30,145
8.	Southern district	Foundations ELS and pile caps works	December 2015	39.3	17,795

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Number	Location of project	Type of works	Expected completion date	Contract sum ^(Note 1) <i>HK\$' million</i>	Accumulative turnover recognised during the Track Record Period ^(Note 1) <i>HK\$'000</i>
9.	Sha Tin district	Site formation & ELS works	February 2016	85.0	–
10.	Kwun Tong district	ELS works	April 2016	70.0	–
11.	Kwai Tsing district	Reinforced concrete structure works	May 2016	39.0	–
12.	Sha Tin district	Hoarding, foundation and ELS works	June 2016	55.7	–
13.	Tseung Kwan O Area 137 and Tuen Mun Area 38	Operation of temporary construction waste sorting facilities	December 2016	133.0	72,552
14.	Eastern district	Hoarding, foundation and ELS works	May 2016	9.6	–
15.	Southern district	Ground investigation related works	August 2015	0.6	–
16.	Kowloon City district	Site formation works	September 2015	1.9	–

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Completed projects

During the Track Record Period and up to the Latest Practicable Date, we completed the following projects:

For the year ended 31 March 2013

Number	Location of project	Type of works	Project period	Contract sum <i>(Note 1)</i> HK\$' million	Accumulative turnover recognised during the Track Record Period <i>(Note 1)</i> HK\$'000
1.	Southern district	Renovation works	2 months	1.6	1,508
2.	Yau Tsim Mong district	Foundation, ELS and pile cap works & demolition	14 months	22.6	2,268
3.	Yau Tsim Mong district	Foundation, ELS and pile cap works	17 months	13.5	4,173
4.	Shum Shui Po district	Hoarding and demolition works	5 months	1.7	1,978
5.	Island district	Site formation works	21 months	35.0	30,945
6.	Kwai Tsing district	Site formation, ELS and foundation works	10 months	24.0	22,255
7.	Yau Tsim Mong district	ELS and pile cap works	10 months	5.9	6,607
8.	Yau Tsim Mong district	Hoarding, ELS and pile cap works	11 months	4.2	4,436
9.	Yuen Long district	Public road & drainage works	9 months	2.7	3,580
10.	Hong Kong -Zhuhai-Macao Bridge – Hong Kong Link	Loading barge construction	2 months	2.9	4,213
11.	Central and Western district	ELS and pile cap works	5 months	5.6	222 ^(Note 4)
12.	Central and Western district	Project management	7 months	0.4	420

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Number	Location of project	Type of works	Project period	Contract sum <i>(Note 1)</i> HK\$' million	Accumulative turnover recognised during the Track Record Period <i>(Note 1)</i> HK\$'000
13.	Tuen Mun district	Site formation, ELS and pile cap works	20 months	3.6	3,016
14.	Yuen Long district <i>(Note 2)</i>	Foundation works	10 months	33.0	1,163

For the year ended 31 March 2014

Number	Location of project	Type of works	Project period	Contract sum <i>(Note 1)</i> HK\$' million	Accumulative turnover recognised during the Track Record Period <i>(Note 1)</i> HK\$'000
1.	Tsuen Wan district	Site formation and pile cap works	20 months	7.4	7,527
2.	Eastern district	Hoarding and demolition works	8 months	1.5	1,500
3.	Central and Western district	Hoarding and demolition works	9 months	4.3	4,330
4.	Kowloon City district	Foundation works	8 months	16.5	16,540
5.	Northern district	Hoarding, demolition and ELS works	2 months	3.5	3,479
6.	Southern district	Foundation works	5 months	3.2	3,267
7.	Wan Chai district	ELS and pile cap works	8 months	6.5	6,823
8.	Tuen Mun district	ELS works	3 months	3.7	3,824
9.	Eastern district	Foundation, ELS and pile cap works	19 months	35.2	35,928
10.	Kowloon City district	Site formation works	16 months	8.6	8,289

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Number	Location of project	Type of works	Project period	Contract sum ^(Note 1) <i>HK\$' million</i>	Accumulative turnover recognised during the Track Record Period ^(Note 1) <i>HK\$'000</i>
11.	Island district	ELS and pile cap works	9 months	10.8	10,401
12.	Shum Shui Po District	Pile cap & ELS works	7 months	15.6	14,030
13.	Tai Po district	Desilting works	2 months	1.0	966
14.	Southern district	Site formation and foundation & trench works	37 months	18.4	12,718
15.	Tseung Kwan O Area 137 Fill Bank and Chai Wan Public Fill Barging Point	Public fill banks	50 months	199.0	118,492
16.	Hong Kong – Zhuhai – Macao Bridge – Hong Kong Link	Loading barge construction	2 months	4.1	5,605
17.	Eastern district	Foundation works	19 months	9.5	9,460
18.	Hong Kong-Zhuhai-Macao Bridge - Hong Kong Link	Installation of stone column	16 months	23.0	20,220

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For the year ended 31 March 2015

Number	Location of project	Type of works	Project period	Contract sum <i>(Note 1)</i> <i>HK\$' million</i>	Accumulative turnover recognised during the Track Record Period <i>(Note 1)</i> <i>HK\$'000</i>
1.	Kwai Tsing district	Demolition & ground investigation works	10 months	4.5	3,376
2.	Sai Kung district	Site formation and foundation works	14 months	24.1	25,945
3.	Southern district <i>(Note 3)</i>	Demolition and foundation works	16 months	15.0	4,083
4.	Sai Kung district	Pipe piling works	3 months	6.8	4,184
5.	Southern district	ELS, foundation and slope strengthening works	9 months	17.1	16,488
6.	Kwai Tsing district	Foundation works	11 months	50.4	49,111
7.	Central and Western district	Preboring works	1 month	0.3	129
8.	Central and Western district	Pipe pile works	1 month	0.2	245
9.	Kwai Tsing district	Pumping well and observation wells works	1 month	0.5	147

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From 1 April 2015 up to the Latest Practicable Date

Number	Location of project	Type of works	Project period	Contract sum <small>(Note 1)</small> <i>HK\$' million</i>	Accumulative turnover recognised during the Track Record Period <small>(Note 1)</small> <i>HK\$'000</i>
1.	Kwai Tsing district	Site formation, ELS works	12 months	16.5	14,829
2.	Tai Po district	Removal & disposal of existing filled materials	3 months	13.0	11,230
3.	Sha Tin district	Site formation works	12 months	38.4	33,070

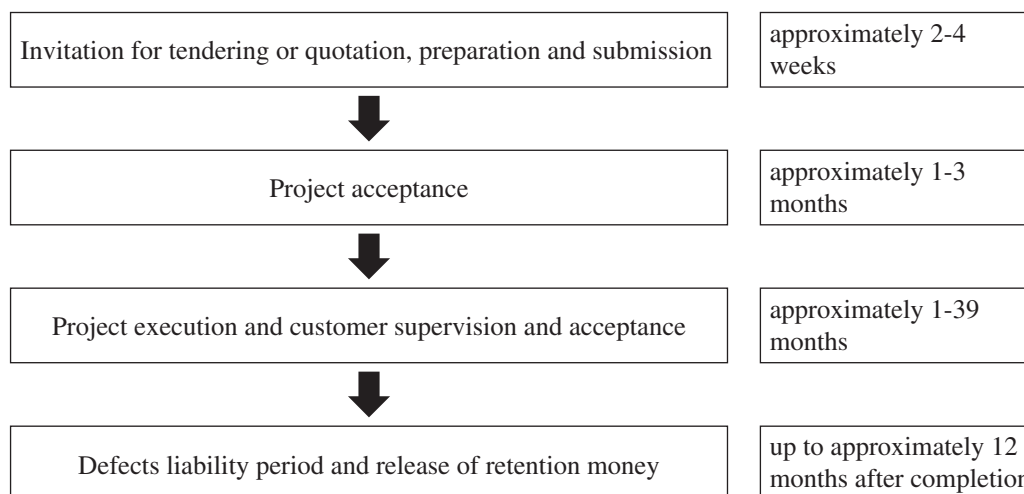
Notes:

1. The contract sum is based on the initial agreement or quotation between our customer and us and may not include additions, modifications or deletions due to subsequent variation orders, as such final turnover recognised from a contract may differ from the contract sum.
2. The project was terminated by our customer prior to the completion of works due to the change of decision by the customer, all outstanding payment due from the customer was settled.
3. The project was terminated by our customer prior to the completion of works due to the change of decision by the customer, all outstanding payment due from the customer was settled.
4. The project was completed prior to the Track Record Period but certain revenue was recognised for the year ended 31 March 2013 as value certified by our customer exceeded the revenue recognised previously.

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OPERATION PROCESS

Set out below is the flow chart summarising the usual workflow of a construction project:



Invitation for tendering or quotation, preparation and submission

As a usual practice, we are invited by our customers to submit a tender or provide a quotation for tendering for a potential project. Our direct customers are mainly main contractors or subcontractors of a foundation construction or construction wastes handling project. We act as a subcontractor for these projects and work under supervision by the main contractor.

Our tendering team generally consists of a director, a project manager and a quantity surveyor. They assist our executive Directors on the preliminary review and assessment of a potential project. We would consider (i) the specifications, underground conditions and difficulties of the potential project; (ii) the duration of the potential project; (iii) the site location and the conditions and adjacent risk of building structures nearby; (iv) the resources availability; and (v) our previous experience with the customer. Once our executive Directors consider the expected profitability of a potential project to be acceptable based on the review and assessment, we will prepare and submit a tender or provide a quotation to our customer accordingly.

Our executive Directors and the tendering team would then prepare tender documents including (i) method statements and construction programme with estimated timeframe for each stage; (ii) bills of quantities; (iii) work drawings (if required); (iv) terms of the contract; and (v) site safety supervision plan in accordance with the specifications agreed with our customer.

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Quotations submitted during the Track Record Period

During the Track Record Period, all of our projects were obtained through a process of competitive bidding in which we believe our customers will also obtain tenders from other subcontractors. The following table sets out the number of project bids, number of successful project bids and our success rate during the Track Record Period:

Foundation works and ancillary services projects:

	For the year ended 31 March		
	2013	2014	2015
Number of project bids	56	67	70
Number of successful project bids	20	9	11
Success rate (%)	35.7	13.4	15.7

Note: For foundation works and ancillary services projects, we are sometimes invited by more than one potential customers to submit tender proposal for the same project. If this happens, they will be counted as one project bid.

Construction wastes handling projects:

	For the year ended 31 March		
	2013	2014	2015
Number of project bids	–	1	1
Number of successful project bids	–	1	–
Success rate (%)	N/A	100.0	0.0

During our tendering process, we consider the number of projects that are in progress and our price will be determined primarily on a cost-plus basis depending with emphasis on various factors. For details of the factors we take into account when determining the tender price, please refer to the paragraph headed “Pricing strategy” in this section. In considering our quotation, we will ensure that we can provide and allocate sufficient resources for the tendered projects. During the Track Record Period, we have not experienced any material complaints for the shortage of resources for our projects.

For foundation works projects, for each of the three years ended 31 March 2015, we submitted 56, 67 and 70 bids (excluding the quotations in relation to variation orders and supplemental works), respectively. Among these bids, we were successfully awarded 20, 9 and 11 projects for the corresponding periods, resulting in a tender success rate 35.7%, 13.4% and 15.7%, respectively. Subsequent to the year ended 31 March 2013, in order to strengthen the corporate image of Progressive Foundation, we had made greater efforts in submitting bids. In particular, more tenders were submitted to main contractors with whom we had no prior working relationship. In addition, our Group bid for more design-and-build foundation projects which our Directors believed to be more profitable but were also more competitive. In the meantime, our Group reduced submission for smaller scale of projects in order to concentrate resources. Accordingly, the success rate trended downward in 2014. In 2015, we managed to submit even more bids and riding on a better client relationship management, we improved our tender success rate.

For construction wastes handling projects, due to the limited availability of public fill reception facilities in Hong Kong and new opportunities only arise when existing contracts expire, tender success rate for each of the three years ended 31 March 2015 so computed was N/A, 100% and 0%, respectively. The apparent large extent of fluctuation was due to small sample base.

Project acceptance

Upon receipt of our tender, our customer may by way of interview or enquiries clarify with us the particulars of our submitted tender. Once our customer decides to engage us, generally, we will be informed of our acceptance by a letter of award or letter of intent. We may then enter into a formal engagement agreement with the customer. For projects in which we act as subcontractor and that our customer is still in the process to be engaged as the main contractor, a legally binding pre-bid agreement, instead of a formal engagement, will be entered into upon pending the acceptance of our customer as the main contractor for the project. As soon as we are engaged by our customer, we would secure our engagement with our subcontractors and arrange with our suppliers for the supply of materials for the project.

Project execution and customer acceptance

Once our engagement is confirmed, we commence the implementation of the project by: (i) forming a project team; (ii) planning and arranging the required machinery to be delivered to the construction site; (iii) procuring and arranging with suppliers for the required materials for the project; and (iv) negotiating and finalising on the subcontracting arrangement if necessary.

Forming a project team

Depending on the scale and complexity of the project, our project team generally comprises the following key personnel: project manager, site agent, engineer, quantity surveyor, safety officer, foreman, plant operator and general labourers. Our executive Directors will also closely monitor the progress of the project on a continuous basis and will ensure statutory requirements are complied with. Our project team will oversee the project on site and report to our executive Directors on the project status and identify any problems that need to be resolved from time-to-time. Set out below are some general duties performed by the major roles of the project team:

Project manager

Our project manager is mainly responsible for communicating with other members of the project team on the project status, reviewing the progress report and site daily record prepared by our engineer and liaising with subcontractors for the works conducted by subcontractors. The project manager is also the principal communication channel with the customer of the construction project on site and to deal with all technical issues with the instructions from our customers. On an on-going basis, our project manager will directly report to our executive Directors for the project status and issues, and attend the progress meeting to report the project progress to our customer.

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Site agent

Our site agent is responsible for inspecting fieldworks including monitoring the work progress and communicating with our foreman about each project's daily operations. For smaller projects, which a project manager is not required, our site agent would also hold the responsibilities of the project manager.

Engineer

Our engineer is responsible for preparing the site daily record to properly record (i) the number of workers; and (ii) description of works both performed by our workers or subcontractors. For our construction of ELS system or other necessary temporary structures, depending on the subcontracting requirement, we may need to provide our construction designs with supporting calculations, the design works are prepared by our engineers and submitted to our customer for approval. Our engineer should pass the site daily record to project manager for review and keep the site daily record in site office for spot check by our executive Directors.

Quantity surveyor

Our quantity surveyor is responsible for inspecting the work progress on site, checking with our project manager for understanding the updated progress status, and preparing the payment application. For progress monitoring purpose, our quantity surveyor is required to update our project manager the latest certified progress from our customer. The quantity surveyor's duties also include measuring the work done by our subcontractors and assess their interim payment requests.

Safety officer

Our safety officer is responsible for setting up safety plans for workers before carrying out their works in construction site, inspection of machinery and equipment to ensure they are safe to be used, regular safe walks to maintain safe working environment and site tidiness, handling safety incidents and keeping safety records.

Foreman

Our foreman is responsible for coordinating, providing guidance and supervising our workers and subcontractors on site. Our foreman is also required to act as a safety supervisor.

Planning and arranging machinery

Most of our works involve usage of machinery. Our asset management department is responsible for managing the machinery for all projects. Our executive Directors and plant manager will determine the types of machinery to be used, the time for the use of the machinery and the logistics of delivery of machinery. For details on our machinery, please refer to the paragraph headed "Machinery" in this section below.

Purchasing of construction materials

The key construction materials that we purchase for our foundation construction projects include concrete and steel reinforcing bars and structural steel. In line with our tender awarded and the construction programme, our quantity surveyor will place orders with our list of approved suppliers and purchase the required materials. In some projects, certain construction materials might be purchased by our customer on our behalf for their projects.

Our construction materials are purchased from and sent to the site directly by our suppliers and, as the materials are acquired on a project-by-project basis in accordance with the project specifications, we rely on the accurate estimation on the amount of construction materials needed, which our quantity surveyor normally allows for a small buffer in each batch of order to counter for wastage. As such, we do not retain any construction materials as inventory.

For details on our suppliers, please refer to the paragraph headed “Suppliers” in this section below.

Negotiating on and/or finalising the subcontracting arrangement to third parties

Depending on our capability, amount of resources, possession of the required machinery, cost effectiveness and the complexity of the project, we may further subcontract specific parts of the project to our subcontractors in Hong Kong, such as some kinds of piling constructions, reinforced concrete structure works, ground investigation works and design works.

For details on our subcontracting, please refer to the paragraph headed “Subcontracting” in this section.

Monitoring, quality inspection and testing

Our project manager regularly provides progress reports to our executive Directors. Such report includes project performance, plants and facilities on site, delays and causes, and safety and environmental matters, etc.. In addition, we would normally hold progress meeting with our customer throughout the project duration. The key members of the project team will keep monitor the progress of their respective works and they are all supervised by the project manager. Our construction works are firstly accepted by our direct customer, i.e. mainly the main contractor, which are in general also subject to the acceptance of the ultimate customer, i.e. the owners of the construction project. We adopt a stringent quality standard pursuant to which our project team is required to complete the construction works on time, avoid poor workmanship and minimise defects. Our project team peruses the project specifications carefully and maintains constant dialogue with the main contractor and representative of the ultimate customer so as to understand the acceptance standard before the completed works are to be inspected. We set our target to the project team that construction works should be accepted at first time when they are inspected without the need of making good. The work progress of the site would be inspected by our quantity surveyor before we prepare the payment application to our customer. For materials or works that require sampling and testing, such as structural steel, concrete and steel couplers, prior to their usage in our project, or works that need to meet specific requirements or as required by customer, we will engage a third party with HOKLAS accreditation to perform testing on samples. Generally, samples selected for testing are delivered to a laboratory to perform mechanical tests, such as compression and tensile strength tests. Our project manager will review the test results and submit the same to our customers, when required.

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During the Track Record Period, we had not experienced any significant failing in the raw material tests and returning of raw material to our suppliers.

Customer inspection and acceptance

In the course of execution of our foundation works projects, our customer would inspect our works done from time to time. Depending on the types of structures, samples may be taken out to laboratory or loaded on site, our customer's acceptance will therefore be subject to the confirmation on the samples' strength complying with the specification. Upon its satisfaction, our customer would issue an approval form specifying the activity completed by stages. Once we have completed the entire project to the satisfaction of our customer, we will agree with our customer the final account which will take into account the measurement of all our work done, retention payables and value of variation orders. When the projects complete, a final account will also be agreed for the final payment and the retention payable, if any.

For our construction wastes handling projects, our customer regularly reconciles the quantity of construction wastes handled by us with their records.

Progress payment

For foundation works projects, based on the activity carried out in the preceding month, we will submit to our customers a payment application, which generally includes the estimated fee for our work done along with any variation, the list of materials delivered to the site and the costs of the material delivered. The amount will be netted off with any costs of construction materials procured on our behalf by our customer. Once our customer is satisfied with our payment application, a payment certificate will be issued to us and the payment will be made to us accordingly. Our customers will usually retain up to 10% of each interim payment and up to a maximum limit of 5% of the contract sum as retention money for the project.

For our construction wastes handling projects, we are paid monthly for the services we provide in maintaining and operating the public fill reception facilities, together with the fees in accordance with the amount of construction wastes handled by us. The amount of fee receivable by us is itemised in the contract in the form of bills of quantities.

Defects liability period and release of retention money

For our projects, subject to the requirements of different projects, a defects liability period of up to 12 months from the date of completion of the project may be provided by us. During the defects liability period, we are responsible for remedial works which may arise from the defective works or materials used. Generally, the retention money will be withheld by our customer and 50% of which will be released to us on completion of the project and the remaining 50% upon the agreement of the final account between our customers and us which usually takes approximately one year.

CUSTOMERS, SALES AND MARKETING

For the three years ended 31 March 2013, 2014 and 2015, our turnover from foundation works and ancillary services contracts amounted to HK\$173,739,000, HK\$170,070,000, and HK\$243,753,000, representing 74.0%, 71.3%, and 79.8% of our total turnover for the corresponding periods, respectively. On the other hand, turnover from construction waste handling amounted to HK\$61,013,000, HK\$68,471,000, and HK\$61,560,000, representing 26.0%, 28.7%, and 20.2% of our total turnover for the corresponding periods, respectively. Our turnover has also included rental of machinery, and details of which are set out in the paragraph “Machinery” in this section.

Our customers are primarily the main contractors of various types of property development or civil engineering projects in Hong Kong. Most of our customers are located in Hong Kong and all of our service fees are denominated in Hong Kong dollars. During the Track Record Period, ten customers awarded more than one project to us. The number of direct customers with projects contributed to our turnover was 12, 14 and 10 for the three years ended 31 March 2013, 2014 and 2015, respectively.

Major customers

For the three years ended 31 March 2013, 2014 and 2015, the percentage of our Group’s aggregate turnover attributable to our Group’s largest customer was approximately 26.0%, 24.1% and 39.7% for the corresponding periods, respectively, while the percentage of our Group’s total turnover attributable to our five largest customers in aggregate was approximately 82.6%, 74.2% and 86.8%, respectively.

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Set out below is a breakdown of our turnover by major customers:

For the year ended 31 March 2013

Rank	Customer	Background of customer	Turnover <i>HK\$'000</i>	% of total turnover for the year	Type of services provided	Years of relationship with our Group as at the Latest Practicable Date
1.	China Harbour- China State Joint Venture ("CHCSJV")	the main contractor for operations of Tseung Kwan O Area 137 Public Fill Bank and Chai Wan Public Fill Bank Barging Point under the CEDD's main contract number CV/2009/02, being a joint venture formed by China Harbour Engineering Company Limited ("China Harbour") and China State Construction Engineering (Hong Kong) Limited whose parent is China State Construction International Holdings Limited, a company listed on the Stock Exchange	61,013	26.0	management and operations of pubic fill banks	6
2.	Win Win Way Construction Co. Limited	a construction contractor headquartered in Hong Kong	53,065	22.6	foundation works	4
3.	W.M. Construction Group (<i>Note 1</i>)	a construction group headquartered in Hong Kong	28,150	12.0	foundation works	4
4.	Paul Y. Engineering Group (<i>Note 2</i>)	an engineering group headquartered in Hong Kong	28,462	12.1	foundation works	12
5.	Goldfield N&W Construction Company Limited ("Goldfield N&W Construction")	a construction contractor headquartered in Hong Kong	23,311	9.9	foundation works	4
Total			<u>194,001</u>	<u>82.6</u>		

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For the year ended 31 March 2014

Rank	Customer	Background of customer	Turnover <i>HK\$'000</i>	% of total turnover for the year	Type of services provided	Years of relationship with our Group as at the Latest Practicable Date
1.	CHCSJV	the main contractor for operations of Tseung Kwan O Area 137 Public Fill Bank and Chai Wan Public Fill Bank Barging Point under the CEDD's main contract number CV/2009/02, being a joint venture formed by China Harbour and China State Construction Engineering (Hong Kong) Limited whose parent is China State Construction International Holdings Limited, a company listed on the Stock Exchange	57,479	24.1	management and operations of public fill banks	6
2.	Goldfield N&W Construction	a construction contractor headquartered in Hong Kong	51,092	21.4	foundation works	4
3.	Customer F	a joint venture, formed by two construction contractors, being the main contractor for the construction of West Kowloon Terminus Approach Tunnel (South)	31,320	13.1	foundation works	4
4.	Customer G	a construction contractor headquartered in Hong Kong	20,057	8.4	foundation works	3
5.	Keller Foundations (S E Asia) Pte Ltd	a construction contractor incorporated in Singapore which is a subsidiary of Keller Group plc, a company listed on the London Stock Exchange	17,203	7.2	foundation works	3
Total			<u>177,151</u>	<u>74.2</u>		

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For the year ended 31 March 2015

Rank	Customer	Background of customer	Turnover <i>HK\$'000</i>	% of total turnover for the year	Type of services provided	Years of relationship with our Group as at the Latest Practicable Date
1.	Goldfield N&W Construction	a construction contractor headquartered in Hong Kong	121,133	39.7	foundation works	4
2.	China Harbour	a construction contractor wholly-owned by China Communications Construction Company Limited, a company listed on the Stock Exchange	61,560	20.2	management and operations of construction waste sorting facilities	9
3.	Customer F	a joint venture, formed by two construction contractors, being the main contractor for the construction of West Kowloon Terminus Approach Tunnel (South)	35,877	11.8	foundation works	4
4.	New Concepts Foundation Limited	a construction contractor headquartered in Hong Kong and a wholly-owned subsidiary of New Concepts Holdings Limited, a company listed on the Stock Exchange	26,638	8.7	foundation works	2
5.	KSL Engineering Limited	a construction contractor headquartered in Hong Kong and a wholly-owned subsidiary of KSL Holdings Limited, a company listed on the Stock Exchange	19,634	6.4	foundation works	1
Total			<u>264,842</u>	<u>86.8</u>		

Notes:

- At the material times, W.M. Construction Group includes two construction companies, namely (i) W.M. Construction Limited; and (ii) W.M. Foundation Company Limited, which are wholly-owned by an individual.
- At the material times, Paul Y. Engineering Group includes three construction companies, namely (i) Paul Y. Foundation Limited; (ii) Paul Y. Construction & Engineering Co. Limited; and (iii) Paul Y. Construction Company Limited, which are ultimately owned by Louis XIII Holdings Limited and PVI Corporation Limited, two companies listed on the Stock Exchange.

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The following table sets out the aggregate revenue from CHCSJV and China Harbour, which our Directors consider them as affiliated companies under the same group, during the Track Record Period:

	For the year ended 31 March					
	2013		2014		2015	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Aggregate revenue of CHCSJV and China Harbour	<u>68,630</u>	<u>29.2</u>	<u>70,672</u>	<u>29.6</u>	<u>61,560</u>	<u>20.2</u>

Transactions with Goldfield N&W Construction

Goldfield owned 30% of the issued shares of Win Target from 28 February 2013 to 31 March 2015. To the best information, belief and knowledge of our Directors having made all reasonable enquiries, each of Goldfield N&W Construction and Goldfield is an associate of Mr. Ng Hin Cheung, who was also a director of Win Target from 28 February 2013 to 20 April 2015.

Goldfield N&W Construction is a construction contractor engaging in civil engineering and building construction activities in Hong Kong with about 26 years of history of business. We have over four years of business relationship with Goldfield N&W Construction.

During and subsequent to the Track Record Period, our Group provided foundation and construction services as a subcontractor of Goldfield N&W Construction and recognised revenue amounted to approximately HK\$23,311,000, HK\$51,092,000 and HK\$121,133,000 from Goldfield N&W Construction for the three years ended 31 March 2013, 2014 and 2015, respectively. During the Track Record Period, our Group also recognised project gross profit of approximately HK\$5,892,000, HK\$8,214,000 and HK\$35,733,000 for the projects subcontracted by Goldfield N&W Construction, with project gross profit margins ranging from -2.0% to 46.0%. Among the projects, one project related to demolition works recorded gross loss and if this project is excluded, project gross profit margin would range from 10.9% to 46.0%. As a number of projects undertaken from Goldfield N&W Construction were design-and-build projects, which turned out to bring satisfactory outcome to our Group. Our Directors are of the view that while these design-and-build projects resulted in similar range of gross profit margins as the design-and-build projects with other customers, proportion of revenue contribution from design-and-build projects to our Group from Goldfield N&W Construction is higher than from other customers and hence, higher overall gross profit margin is resulted. Goldfield N&W Construction is one of the top five customers of our Group for each of the three years ended 31 March 2015. As at the Latest Practicable Date, our Group had the following projects on hand in which Goldfield N&W Construction is the main contractor which subcontracted construction works to us:

Number	Location of project	Type of works	Expected completion date	Contract sum <i>(Note)</i> <i>HK\$' million</i>	Accumulative turnover recognised during the Track Record Period <i>(Note)</i> <i>HK\$'000</i>
1.	Yau Tsim Mong district	ELS and piling works	November 2015	15.9	8,710
2.	Wan Chai district	Foundation works	September 2015	10.5	8,315
3.	Eastern district	Foundation ELS & pile cap works	August 2015	21.8	14,398

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Number	Location of project	Type of works	Expected completion date	Contract sum <i>(Note)</i> HK\$' million	Accumulative turnover recognised during the Track Record Period <i>(Note)</i> HK\$'000
4.	Kwai Tsing district	Reinforced concrete structure works	May 2016	39.0	-
5.	Yau Tsim Mong district	ELS and piling and structure works	December 2015	38.9	30,145
6.	Southern district	Ground investigation related works	August 2015	0.6	-

Note: The contract sum is based on the initial agreement or quotation between Goldfield N&W Construction and our Group and may not include additions, modifications or deletions due to subsequent variation orders, as such final turnover recognised from a contract may differ from the contract sum.

Having said the above, transactions between our Group and Goldfield N&W Construction would not constitute connected transactions under Chapter 14A of the Listing Rules as Win Target was regarded as an insignificant subsidiary (as defined in Chapter 14A of the Listing Rules) of our Company and hence Mr. Ng Hin Cheung and his associates are not connected persons of our Company.

Other than Goldfield N&W Construction, none of our Directors, their close associates or our Shareholders (who or which, to the best knowledge of our Directors, own more than 5.0% of the issued capital of our Company) has any interests in the top five customers of our Group for the Track Record Period. All these top five customers are independent third parties.

Pricing strategy

Our pricing is determined on a cost-plus basis with emphasis on factors that include: (i) the difficulties and methodology of the project with references made to available site geological or investigation report and buildings erected in the vicinity; (ii) the estimated number and types of workers required; (iii) the estimated number and types of machinery required; (iv) the completion time requested by customer; (v) the estimated direct costs to be incurred; (vi) the prospect of obtaining future contracts from the customer; and (vii) the prevailing market conditions. Our Directors consider that it is of utmost importance to estimate project cost accurately as most of our construction projects in the private sector are lump sum contract or fixed unit price such that unexpected adverse fluctuation in price or budget overrun may result in diminished project return or even a loss.

As we undertake projects of considerably different scales, the turnover contribution from each customer to us varies significantly from customer to customer and from project to project. During the Track Record Period, we recorded gross losses in 5 projects with contract sums of approximately HK\$21.6 million in aggregate, which incurred gross losses of approximately HK\$2.7 million in aggregate. In determining gross profit or loss for each project, we assign direct costs attributable to cost of sales, including direct staff costs, subcontracting charges, cost of construction materials and supplies, depreciation, etc., but excluding costs that cannot be allocated. One, three and one loss-making projects were

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completed during the three years ended 31 March 2015, respectively and the gross losses were mainly due to (i) three demolition works and one ELS works projects, which were priced competitively and the delay of the completion of the projects which resulted in a cost overrun from charges by our subcontractors; and (ii) the fact that the remaining project was due to additional works done which we submitted as variation order to our client but being rejected, as a result, we had to bear the costs of the additional works.

In order to prevent similar delay in completion and cost overruns of our current projects, we have reinforced our internal measures which include holding regular, and if necessary ad-hoc, report meetings at which our head of project department and executive Directors are notified with the latest progress update and whenever construction progress does not catch up with the planned programme, the project team is then required to (i) review method statements to identify any material deficiency which causes the slow progress or deviation in the actual activities and then propose amendments or corrective action; (ii) rearrange labour and reallocate resources such as machinery and materials to speed up the progress; or (iii) monitor and control costs which include comparing actual costs and budgeted costs. Further, our Group will strengthen communication with the main contractor and customers to ensure our machinery and staff are deployed in time to avoid idling time or over time working hours and will obtain written confirmation on any client's verbal instruction before commencing substantial additional construction works to facilitate measurement of value of work done and minimise chance of future dispute.

Principal terms of our contracts

During the Track Record Period and up to the Latest Practicable Date, our customers engage us on a project-by-project basis instead of entering into any long-term contract. Our Directors consider that such arrangement is in line with the industry practice. Generally, the terms of our contracts with main contractor mirror the terms of the contract between the main contractor and the property developer, CEDD, or other entities, as the case may be. Below are some of the generalised terms included in most of our contracts:

Principal contract terms	Description
Project information	Project information generally shows the location of construction site and nature of our works to be performed.
Contract sum	The contract sums of our contracts are either lump sum fixed price or provisional price subject to remeasurement. Under the fixed price contract, we are required to execute all the specified details and quantities of works as stated in the contract at the fixed agreed price. With regard to provisional price contract, the main contractors usually supply us a reference schedule showing the items, brief description and quantities of works to be performed by us. Based on the specifications, quantities and agreed unit rates, we are able to estimate the provisional contract sum. If there is any variation of works, the valuation of which is determined based on quantity of works and the unit rates of such works under our bills of quantities.

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Principal contract terms	Description
Types and scope of works	This term identifies types and scope of works in detail which we are engaged to perform under the contracts, for details please refer to paragraph headed “Our business operations” in this section.
Contract period	The number of days within which we have to complete our contract works commencing from the date when we are allowed to get our works started at the construction sites. The contract period varies depending on the project size and complexity.
Term of payment	We charge our customers on monthly basis by sending payment application together with a written statement showing quantities and details of works having been performed in the preceding month for our customers’ review and payment arrangement. In respect of the final payment, we usually issue final account showing the amount we are entitled to for our customers’ rectification. Please also refer to the paragraph headed “Operation process – Project execution and customer acceptance – progress payment” in this section.
Bills of quantities	It refers to types, specifications and quantities of works under the project. It also states the unit rates and estimated price of each particular type of works in the quotation documents.
Surety bond	Some of our foundation works and ancillary services contracts require us to arrange surety bond either in a fixed sum or in a certain percentage ranging from 2.5% to 10% of the contract sum to secure our due performance of works and compliance with the contracts. Such surety bond will be released back after project completion.
Liquidated damages	If we fail to complete our contract works before stipulated time, we may, subject to the extension of time approved by our customers, need to pay liquidated sum to our customers pursuant to the contracts. The amount of compensation is a fixed amount per day.

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Principal contract terms	Description
Insurance	For foundation works and ancillary services, we are usually engaged as subcontractor or sub-subcontractor. For construction wastes handling projects, we provide public fill bank and sorting services and are engaged as a subcontractor. It is the obligation of the main contractor of the construction project to effect proper insurance policies against damages, claims and compensation in respect of the persons who are employed to work at the construction sites. Under the contracts, we are required to report any accident or injury happened to our staff and our subcontractor's staff to the main contractor within stipulated time and to pay the excess amount under the relevant insurance policy. Regarding our machineries deployed in the construction sites, we need to maintain our own machinery insurance policy.
Defects liability period	After completion of our works, we are still responsible for fixing and remedying our defective or imperfect works identified by our customers for a predetermined period which is normally not more than 12 months after completion of our works under the project. Please also refer to the paragraph headed "Operation process – Defects liability period and release of retention money" of this section.
Retention monies	Our customers will usually retain up to 10% of each interim payment and up to a maximum limit of 5% of the contract sum as retention money for the project. Generally, the retention money will be withheld by our customer and 50% of which will be released to us on completion of the project and the remaining 50% upon the agreement of the final account between our customers and us which usually takes approximately one year. Please also refer to the paragraph headed "Operation process – Defects liability period and release of retention money" of this section.

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Credit policy

Based on the activity carried out in the preceding month, we submit to our customers a payment application for an interim payment which generally includes the estimated fee for our work done, the list of construction materials delivered to the site and other expenses, such as waste disposal charger, incurred. Once our customer is satisfied with our interim payment application, an interim payment certificate will be issued to us usually within 1 month. We will then issue an invoice to our customer. Our customer will settle the interim payment with us by cheque and will retain a certain percentage of our fee as retention money. We will usually grant our customers a credit period ranging from 30 to 75 days from the date of our customer certifying our workdone. Our customers will usually retain up to 10% of each interim payment and up to a maximum limit of 5% of the total contract sum as retention money. Normally, half of the retention money will be released upon completion of our works and half of the retention money will be released upon the agreement of the final account between our customers and us. We maintain a register of interim payment applications submitted and payment certificates issued by the customers to ensure all corresponding payment certificates have been received or followed up with our customers on a timely basis. Upon the due date of retention receivables, our quantity surveyor will follow up with our customers by contacting the customers directly and re-issue the invoices if necessary. Our management will also consider issuing demand letter to our customers if there is any difficulties to collect the retention receivables. For details on our receivables turnover days, please refer to the section headed “Financial Information – Discussion of certain combined statements of financial position items” of this prospectus.

Seasonality

Our Directors believe that the foundation works industry in Hong Kong does not exhibit any significant seasonality.

Reliance on major customers

The aggregate turnover from our five largest customers amounted to approximately HK\$194,001,000, HK\$177,151,000 and HK\$264,842,000 for the three years ended 31 March 2013, 2014 and 2015, respectively, representing approximately 82.6%, 74.2% and 86.8% of our total turnover for the corresponding periods, respectively.

For the three years ended 31 March 2013, 2014 and 2015, turnover from our largest customers, amounted to approximately HK\$61,013,000, HK\$57,479,000 and HK\$121,133,000, representing approximately 26.0%, 24.1% and 39.7% of our total turnover for the corresponding periods, respectively.

Sales and marketing

During the Track Record Period, our business opportunities arose mainly from invitation for quotation by customers, which are considered by our Directors to be attributable to our well-established presence in the construction industry in Hong Kong and good customer relationship.

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We currently do not maintain a sales and marketing team. Our executive Directors participate in the sales and marketing activities such as dinners hosted by other industry players. We contact our customers to maintain a good relationship with them, to obtain market and industry information, and to seek business opportunities. We also rely on word-of-mouth by proving quality service in every of our projects to attract referral or for retaining our customers in future projects.

Our Directors believe that our past performance will continue to support our reputation and hence our future business in the industry.

SUPPLIERS

Our suppliers primarily supply the following materials to us: (i) construction materials such as concrete, steel reinforcement bars and structural steel; and (ii) diesel fuel. We generally order construction materials or diesel fuel on a project-by-project basis and we did not enter into any long-term contract with our suppliers. The terms of our supply contracts include the type of materials, price, quantity and payment terms. We select suppliers mainly based on: (i) quality of materials; (ii) timeliness of delivery; (iii) previous experience and length of relationship with the supplier; (iv) competitiveness of the price offered; and (v) reputation of the supplier. Unless otherwise stated in our agreement with the customer, we usually provide construction materials for our projects. As we are provided with the standard requirements of the materials and we are liable for the quality of our project, except in the case that we are provided with materials by our customer, as subcontractor, we are able to choose our own suppliers for our projects.

Set out below is a breakdown of the number of suppliers by purchase category during the Track Record Period:

	For the year ended 31 March		
	2013	2014	2015
Construction materials	36	33	49
Diesel fuel	8	8	8

During the Track Record Period, we did not experience any material shortage or delay in the supply of materials or services that we required. Our Directors consider that the possibility of material shortage or delay is low given the abundance of suppliers of similar materials in the market.

In addition, we did not experience any material fluctuation of prices of materials that we required during the Track Record Period. We are able to pass on any increase in direct costs to our customers as we generally take into account our overall costs and anticipated cost rise in the bills of quantities when preparing the tender.

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Major suppliers

Set out below is a breakdown of our Group's total purchases made with the top suppliers:

For the year ended 31 March 2013

Rank	Supplier	Background of supplier	Purchase amount <i>HK\$'000</i>	% of total costs of construction materials and supplies for the year	Type of purchases	Years of relationship with our Group as at the Latest Practicable Date
1.	Supplier A	Local supplier of steel	8,196	17.4	reinforcement and structural steel bars	3
2.	Supplier B	Local supplier of diesel fuel	7,282	15.5	diesel fuel	6
3.	Supplier C	Local supplier of concrete	4,514	9.6	concrete	4
4.	Supplier D	Local supplier of concrete	2,328	5.0	concrete	3
5.	Supplier E	Local supplier of cement	996	2.1	cement	4
Total			23,316	49.6		

For the year ended 31 March 2014

Rank	Supplier	Background of supplier	Purchase amount <i>HK\$'000</i>	% of total costs of construction materials and supplies for the year	Type of purchases	Years of relationship with our Group as at the Latest Practicable Date
1.	Supplier A	Local supplier of steel	10,594	23.4	reinforcement and structural steel bars	3
2.	Supplier B	Local supplier of diesel fuel	5,198	11.5	diesel fuel	6

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Rank	Supplier	Background of supplier	Purchase amount HK\$'000	% of total costs of construction materials and supplies for the year	Type of purchases	Years of relationship with our Group as at the Latest Practicable Date
3.	Supplier F	Local supplier of diesel fuel	4,576	10.1	diesel fuel	2
4.	Supplier G	Local supplier of metallic equipment	1,743	3.8	metallic equipment and parts	8
5.	Supplier C	Local supplier of concrete	1,415	3.1	concrete	4
Total			23,526	51.9		

For the year ended 31 March 2015

Rank	Supplier	Background of supplier	Purchase amount HK\$'000	% of total costs of construction materials and supplies for the year	Type of purchases	Years of relationship with our Group as at the Latest Practicable Date
1.	Supplier A	Local supplier of steel	7,827	15.0	reinforcement and structural steel bars	3
2.	Supplier F	Local supplier of diesel fuel	5,286	10.2	diesel fuel	3
3.	Supplier H	Local supplier of diesel fuel	5,213	10.0	diesel fuel	5
4.	Supplier B	Local supplier of diesel fuel	2,124	4.1	diesel fuel	6
5.	Supplier I	Local supplier of steel	1,706	3.3	reinforcement and structural steel bars	1
Total			22,156	42.6		

None of our Directors, their close associates or the Shareholders (who or which, to the best knowledge of our Directors own more than 5% of the issued capital of our Company) has any interests in the five largest suppliers of our Group for the Track Record Period. All these five largest suppliers are independent third parties.

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Credit terms

Most of our suppliers are located in Hong Kong and all of our purchases are denominated in HK dollars. The credit terms granted by our suppliers generally range from 15 to 80 days from the invoice date and we settle our payment generally by cheque.

SUBCONTRACTING ARRANGEMENTS

Depending on our capacity, resources level, types of construction works, cost effectiveness and complexity of the project, we may subcontract certain activities in a project to other subcontractors in Hong Kong. During the Track Record Period, our subcontracted works include some kinds of piling construction, reinforced concrete structure works, ground investigation works, transportation of excavated material, and design works.

Our subcontractors include local sole proprietors as well as companies which generally have the available skills, machinery and/or manpower to perform the activities. During the Track Record Period, the number of subcontractors engaged by our Group was 38, 36 and 26 for the three years ended 31 March 2013, 2014 and 2015, respectively. During the Track Record Period, all of our subcontractors were located in Hong Kong and all of our service fees were denominated in HK dollars.

We are responsible to our customers for the works performed in a project, including those carried out by our subcontractors. Our customers generally consent us in the use of subcontractor for a project and do not limit which subcontractor to be used by us.

According to the agreements we enter into with our subcontractors, we have legal rights to hold our subcontractors liable for any loss and damages suffered by our Group.

Major subcontractors

For the three years ended 31 March 2013, 2014 and 2015, approximately 25.1%, 32.8% and 21.1% of the total subcontracting works by value performed by our subcontractors were attributable to our largest subcontractor of the respective year. For the three years ended 31 March 2013, 2014 and 2015, approximately 66.6%, 58.9% and 68.6% of the total subcontracting works by value performed by our subcontractors were attributable to our five largest subcontractors of the respective year.

For the three years ended 31 March 2013, 2014 and 2015, the total subcontracting charges for the works performed by our subcontractors amounted to approximately HK\$55,731,000, HK\$44,679,000 and HK\$68,164,000, respectively.

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Set out below is a breakdown of the subcontracting charges of our five largest subcontractors:

For the year ended 31 March 2013

Rank	Subcontractor	Subcontracting charges HK\$'000	% of total subcontracting charges for the year	Type of subcontracting works performed	Years of relationship with our Group as at the Latest Practicable Date
1.	Subcontractor A	13,963	25.1	piling works	3
2.	Subcontractor B	6,397	11.5	foundation works	4
3.	Subcontractor C	6,382	11.5	foundation works	4
4.	Subcontractor D	5,220	9.4	piling works	3
5.	Subcontractor E (Note)	5,092	9.1	piling works	3
Total		<u>37,054</u>	<u>66.6</u>		

For the year ended 31 March 2014

Rank	Subcontractor	Subcontracting charges HK\$'000	% of total subcontracting charges for the year	Type of subcontracting works performed	Years of relationship with our Group as at the Latest Practicable Date
1.	Subcontractor A	14,640	32.8	piling works	3
2.	Subcontractor C	4,808	10.8	foundation works	4
3.	Subcontractor F	2,495	5.6	transportation	2
4.	Subcontractor G	2,214	5.0	piling works	2
5.	Subcontractor H	<u>2,095</u>	<u>4.7</u>	foundation works	2
Total		<u>26,252</u>	<u>58.9</u>		

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For the year ended 31 March 2015

Rank	Subcontractor	Subcontracting charges <i>HK\$'000</i>	% of total subcontracting charges for the year	Type of subcontracting works performed	Years of relationship with our Group as at the Latest Practicable Date
1.	Subcontractor A	14,412	21.1	piling works	3
2.	Subcontractor G	11,994	17.6	piling works	2
3.	Subcontractor I	7,815	11.5	construction waste transportation	1
4.	Subcontractor J	6,757	9.9	construction waste transportation	1
5.	Subcontractor K	<u>5,804</u>	<u>8.5</u>	piling works	3
Total		<u><u>46,782</u></u>	<u><u>68.6</u></u>		

Note: Subcontractor E is a wholly-owned subsidiary of a company listed on the Stock Exchange.

None of our Directors, their close associates or our Shareholders (who or which, to the best knowledge of our Directors own more than 5% of the issued capital of our Company) has any interests in the five largest subcontractors of our Group for the Track Record Period. All these five largest subcontractors are independent third parties.

Basis of selecting subcontractors

In selecting subcontractors for a project, we will evaluate them based on their: (i) experience; (ii) quality of works; (iii) timeliness of completion for past projects; (iv) reputation in the industry; (v) past performances; (vi) cost; and (vii) our relationship with them. Based on these factors, we select and maintain a list of approved subcontractors and such list is updated on a continuous basis.

Subcontracting process

In preparing the tender for submission to our customer, our executive Directors and project managers have to review the specifications of the project and consider whether subcontractor is required for a project. Our executive Directors will select the suitable candidates as subcontractor(s).

Depending on the subcontracting works, we will provide the drawings and specifications to the selected subcontractors and request them to submit their tender or quotation.

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Once a project is awarded to us, we will negotiate the terms of the engagement with our subcontractor and discuss with the subcontractor our execution plan for the project to ensure it/he will complete the subcontracted works on time and in accordance with the specifications.

Our project team will monitor and supervise the works of the subcontractor on an on-going basis until the subcontracting works are completed. Our customer will inspect the work done by our subcontractor and an approval form will be issued by our customer for the completed works if our customer is satisfied with the completed works.

Our subcontractor issues invoice to us in respect of subcontracting charges generally on a monthly basis.

Key terms of subcontracting engagement

As our customers engage us on a project-by-project basis, we have not entered into any long-term or standard contract with our subcontractors. The key terms of the subcontracting engagement include pricing, scope of works, time of performance, arrangement of labour, purchase of materials and safety requirements.

Pursuant to our engagement, we have legal rights to hold our subcontractors liable for any loss and damage suffered by our Group if their works are not done in accordance with the requirements set out in our engagements.

Control on subcontractors

We are liable to our customers for the performance and the quality of work done by our subcontractors. Therefore, our subcontractors are not allowed to subcontract parts of our projects without our permission. In the event that our subcontractors subcontract parts of our projects without our permission, we have the absolute discretion to terminate the contract immediately and our subcontractor shall be liable to our consequential additional costs incurred. We require our subcontractors to follow our in-house rules in relation to work quality, occupational safety and environmental protection. In general, our project team will carry out supervision on our subcontractors on a continuing basis to check if they comply with our in-house rules.

During the Track Record Period and up to the Latest Practicable Date, there are no disputes between our Group and our customers in respect of the quality of work performed by us and our subcontractors.

For information on our in-house rules in relation to work quality, occupational safety and environmental protection, please refer to the paragraphs headed “Quality Assurance”, “Occupational health and safety” and “Environmental Protection” in this section.

During the Track Record Period, there were no material claims of injuries arising from subcontracting activities or were there any claims from our customers in relation to the quality of the works performed by our subcontractors.

Sensitivity analysis

For information on the sensitivity analysis on the impact of hypothetical changes in the cost of sales during the Track Record Period, please refer to the paragraphs headed “Financial Information – Cost of sales – Sensitivity analysis” of this prospectus.

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MACHINERY

We rely on the use of machinery to enable us to carry out foundation works and ancillary services and construction wastes handling services projects. Accordingly, we possess a broad range of machinery to perform different types of projects. We mainly acquired new machinery of reputable brands from authorised dealers or used machinery directly from second-hand shops. Our Directors believe that our investment in machinery will enable us to cater to projects of larger scale and higher complexity in the future.

For the three years ended 31 March 2013, 2014 and 2015, we acquired new machinery and equipment in the amount of approximately HK\$13,723,000, HK\$7,790,000 and HK\$28,688,000, respectively. As at 31 March 2015, our machinery and equipment carried a net book value of approximately HK\$36,772,000. Set out below are the cost of acquisition of machinery and equipment by different age groups as at 31 March 2015:

Age group	Cost of acquisition of machinery and equipment as at 31 March 2015 HK\$'000	Net book value of machinery and equipment as at 31 March 2015 HK\$'000
Less than 1 year	28,688	26,222
1 year to less than 2 years	7,790	4,674
2 years to less than 3 years	10,976	4,926
3 years to less than 4 years	4,758	950
4 years to less than 5 years	12,952	–
Over 5 years	3,953	–

Set out below are principal types of machinery used by our Group:

(i) Excavator/Backhoe

An excavator is a heavy construction equipment consisting of a boom, arm, bucket and cab on an upperstructure which could rotate. The upperstructure sits atop an undercarriage with tracks or wheels.

(ii) Crawler crane

A crawler crane is a crane mounted on an undercarriage with a set of tracks (also called crawlers).

(iii) Hydraulic rock breaker

A breaker is a powerful percussion hammer fitted to an excavator for demolition, construction and quarrying. It is powered by an auxiliary hydraulic system from the excavator which is fitted with a foot-operated valve for this purpose.

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(iv) Hydraulic crawler driller

A hydraulic crawler driller is a kind of medium pressure crawler mounted down the hole drilling rig used for rock drilling, rock excavation, processing and bulk materials handling.

(v) Piling rig

A piling rig is a mechanical device used to drive piles into soil to provide foundation support for buildings or other structures.

(vi) Lorry

A lorry is a large motor vehicle designed to carry heavy loads.

(vii) Air compressor

An air compressor is a device that forces air into a chamber and compresses the air to provide high-pressure air to power pneumatic tools, such as jackhammers.

(viii) Others

Other machineries of our Group include generators, loaders, rollers and other commonly used construction machineries and equipment.

The following table sets forth the useful life and average age of our major types of machines and equipment and motor vehicles as at 31 March 2015:

Type of machines and equipment and motor vehicles	Expected useful life	Average age
Excavator / Backhoe	5	2.4
Crawler crane	5	2.5
Mobile crane	5	3.0
Hydraulic rock breaker	5	3.3
Hydraulic crawler driller	5	2.5
Piling rig	5	3.0
Lorry	5	4.0
Air compressor	5	1.9
Others	5	3.9

Rental income from lease of machinery

During the Track Record Period, we leased our machinery to customers if the machinery was not required for other construction projects. Prior to entering into any leasing arrangements, we will evaluate whether such arrangement would impede our Group's ability to complete the ongoing projects and to compete for any potential foundation and substructure projects in future. We do not actively seek or intend to actively seek opportunities to lease our machinery to our customers, and generally, our customers approach us to lease our machinery. Our rental charges are determined by duration and rate of usage and whether operator for the machinery is required. For the three years ended 31 March 2013, 2014 and 2015, our rental

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income generated from the lease of machinery represents approximately 0.8%, 0.1% and 0.8% of our total turnover, respectively, and thus our Directors consider that rental income's contribution to our overall turnover is insignificant.

Repair and maintenance and replacement

During the Track Record Period, when our machinery was out-of-order, it was either (i) sent to the authorised dealer for repairs if the machinery was still under warranty; or (ii) sent to other third party repair companies. The warranty period of new machinery is up to 12 months.

At times during the project, there may be wear and tear from usage of the machinery such as wearing off of the teeth on the bucket of an excavator. Our plant operator could repair the machinery or replace such wear and tear. The weighted average age of our machinery and equipment based on the cost of acquisition is approximately 2.8 years. The weighted average remaining useful life of our machinery and equipment based on accounting estimation is approximately 2.2 years. We replace aged machinery only when the replacement is necessary.

Pursuant to our accounting policies, depreciation of machinery is provided for using straight-line method over a period of 5 years.

Safekeeping of machinery

Machinery that is not in use is generally stored in the site area located in construction waste sorting facilities in Tuen Mun and Tseung Kwan O, which are equipped with locked gates and closed-circuit television security cameras at site entrance. We also have security guard on duty at these locations. We usually purchase plant and machinery insurance policy for machinery that are under finance leases for loss or damage.

Financing arrangements for the purchase of machinery

Taking into account our liquidity position and capital need, our Group raises external financing for the purchase of machinery through finance leases and bank borrowings, part of which is non-current in nature. In choosing between finance lease arrangements and other financing sources such as bank borrowings, our Group takes into account several factors including interest cost, availability of funds, repayment schedule and security requirements.

During the Track Record Period, our Group acquired certain machinery by way of finance leases, under which our Group purchased certain machinery from suppliers through finance lease arrangements with banks and suppliers. Since the terms of these finance leases transfer substantially all the risks and rewards of ownership of the machinery to our Group as the lessee, the relevant machinery was accounted for as our Group's assets under the category of machinery.

For the three years ended 31 March 2013, 2014 and 2015, the interest rates ranged from 3.82% to 7.92%, from 3.82% to 7.96%, and from 2.88% to 7.96% per annum for our finance leases, respectively. Our Group had machinery and equipment under finance leases with net book value of approximately HK\$13,349,000 as at 31 March 2015, representing 36.3% of the net book value of machinery and equipment.

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Service capacity and utilisation rate

Due to the nature of our business and operations, it is not feasible and not practicable to quantify and disclose detailed service capacity and utilisation rate of the machinery for the following reasons:

- (i) different projects require different types of machinery depending on their functions and it is therefore not entirely feasible to quantify the capacity of each piece of machinery by making reference to an objective and comparable scale or standard of measurement;
- (ii) the utilisation rate of individual machinery cannot be clearly defined. A typical foundation and substructure project requires the use of different machinery at different stages, and machinery from time to time is left unused in active construction sites pending completion of other stages. Machinery is also sometimes left unused for repairing or maintenance at work sites; and
- (iii) as set out in the fixed asset register of our Group as at 31 March 2015, we had more than 100 units of machinery and over 10 types of machinery of various sizes and capacity. Given the number of machinery owned by our Group, it is impracticable for our Group to track in details the usage of each individual machinery.

In view of the above, it would be difficult and even impracticable to define accurate utilisation rate of machinery in general and to make a full account of the daily/hourly usage of each individual machinery.

AWARDS AND ACCREDITATION

In recognition of our outstanding performance and quality of work, our Group has received the following awards or certificates from some of our customers and professional accreditation organisations:

Year of grant	Awarded target	Description	Awarding organization/ institution
2014	Bright Access	Safety Model Sub-contractor of The Month (July 2014)	New Concepts Foundation Limited, New Concepts Engineering Development Limited
2014	Bright Access	Safety Model Sub-contractor of The Month (August 2014)	New Concepts Foundation Limited, New Concepts Engineering Development Limited
2014	Chung Shun	Best Safety Sub-contractor	Gammon – Leighton Joint Venture
2015	Progressive Foundation and Bright Access	ISO 9001:2008	Bureau Veritas Certification Hong Kong Limited
2015	Progressive Foundation and Bright Access	ISO 14001:2004	Bureau Veritas Certification Hong Kong Limited
2015	Progressive Foundation and Bright Access	OHSAS 18001:2007	Bureau Veritas Certification Hong Kong Limited

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QUALITY ASSURANCE

Quality control on projects

We will be liable for the works carried out by our Group and our subcontractors. We ensure that project is completed in accordance with the specifications set out for the project.

Our site agent is responsible for supervising the overall daily activities including those executed by our subcontractors in accordance with the construction programme. In addition, our project manager will monitor the activities and project status and note for any issues arising from the execution of the project. Our project manager will timely inform our executive Directors on the project status and matters of concerns. For details of their qualifications and experiences, please refer to the section headed “Directors, Senior Management and Staff” of this prospectus.

During the Track Record Period and up to the Latest Practicable Date, there are no disputes between our Group and our customers in respect of the quality of work performed by us and our subcontractors.

Quality control on materials

For the sampling and testing of materials such as steel and concrete that are to be used in our project, we engage third parties with HOKLAS accreditation to perform testing samples. We will submit the results of the test to our customers.

OCCUPATIONAL HEALTH AND SAFETY

We have adopted an occupational health and safety system as required by relevant occupational health and safety laws, rules and regulation and managed by our safety department for the benefit of our employees and our subcontractors’ employees since our inception of foundation works business in 2001. We are committed to providing a safe and healthy working environment. It is also our concern not to put the general public in hazards. With effect from March 2015, our occupational health and safety has been implemented in compliance with the requirements of OHSAS 18001:2007 international standards.

Our safety officer is responsible for setting up safety plans for workers before carrying out their works in construction site, inspection of machinery and equipment to ensure they are safe to be used, regular safe walks to maintain safe working environment and site tidiness, handling safety incidents and keeping safety records. In addition, our Group will conduct regular internal safety audit and regular safety training provided to our staff.

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The following table sets out a comparison between the industry average and our Group of the industrial accident rate per 1,000 workers and the industrial fatality rate per 1,000 workers in the construction industry for the years 2013 and 2014:

	Industry average (Note 1)	Our Group (Note 2)
2013		
Industrial accident rate per 1,000 workers in the construction industry	40.8	24.7
Industrial fatality rate per 1,000 workers in the construction industry	0.3	0.0
2014		
Industrial accident rate per 1,000 workers in the construction industry	Not available	33.3
Industrial fatality rate per 1,000 workers in the construction industry	Not available	0.0

Notes:

1. The statistics are sourced from the Occupational Safety and Health Statistics Bulletin Issue No. 14 published by Occupational Safety and Health Branch of the Labour Department of the Government.
2. Our Group's accident rate is calculated as the number of accidents during the calendar year (i.e., 5 in 2013 and 7 in 2014) divided by the average number of direct labour employed by our Group during the calendar year.

The following table sets out the nature and type of material industrial accidents which occurred during the Track Record Period and the corresponding safety measures and requirements we undertook and implemented to prevent the occurrence of similar accidents and protect the workers of our Group and our subcontractors:

Nature and type of industrial accidents	Safety measures and requirements undertaken
Contusion, laceration and/or fracture injury caused in connection with lifting and disposing of materials	The workers are required to strictly follow our Group's general safety rules. They are also required to wear safety gloves to handle specific nature of works. In addition, our Group also provides manual handling training to the workers and supplies relevant mechanical devices to facilitate such manual works.

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Nature and type of industrial accidents	Safety measures and requirements undertaken
<p>Contusion, bruise, sprain and/or fracture injury caused in connection with falling from high-altitude and walking on uneven road surface</p>	<p>The workers are required to strictly follow our Group’s relevant safety rules whilst working at height. In addition, under our in-house safety rules, ladders and working platforms for working at height must be securely anchored to safe place and being inspected by competent person before commencement of the works. Depending on the height of works, each worker is strictly required to wear safety harness which is secured to an independent life line. Concerning the safety of walking on uneven site surface, our Group requires the workers to wear safety footwear at working sites and to take steps in ensuring safe access and egress being available in the sites.</p>
<p>Contusion, laceration and/or fracture injury in connection with operating machinery and equipment</p>	<p>The workers are required to strictly follow relevant standard safety procedures for operating various types of machinery and equipment. In addition, only qualified, competent and trained workers are allowed to operate specific machinery and equipment under our in-house safety rules. In order to further enhance our safety measures in this aspect, proper guard and push stick are provided to the moving parts of our machinery and equipment.</p>

A table showing our Group’s lost time injuries frequency rates (“**LTIFR(s)**”)^(Notes) is set out below:

2013	1.37
2014	6.08
2015	9.69
From 1 April 2015 to the Latest Practicable Date	2.57

Notes:

1. LTIFR is a frequency rate that shows the number of lost time injuries (“**LTIs**”) within a given time period relative to the total number of hours worked in the same period. Since the number of lost time injuries per hour worked is generally a small number, a multiplier of 1 million is used for ease of interpretation. The above LTIFRs are calculated by using the total labour hours worked per financial year to divide the number of lost time injuries of our Group happened in the same financial year and multiplied by 1,000,000. It is assumed that the working hours of each worker are 10 hours per day. The number of working days for the three financial years ended 31 March 2013, 2014 and 2015 and from 1 April 2015 to the Latest Practicable Date were approximately 300 days, 301 days, 301 days and 110 days, respectively.
2. Our LTIs were determined based on relevant medical certificates showing incapacity of the injured employees for a period exceeding 3 days received by our Group and/or our subcontractors.
3. The employees of our Group and employees of our Group’s subcontractors participated in our projects are included in the LTIFRs as shown above.

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For the financial years ended 31 March 2013, 2014 and 2015, we experienced increase in LTIFRs. Our Directors believe that it was primarily due to the following reasons:

- (i) increase in total number of construction site workers being employed by our Group year by year from 2013 to 2015 resulted in increasing number of reportable accidents; and
- (ii) due to the shortage of skilled workers in the construction industry in Hong Kong, our Group had to employ more construction workers with less experience from 2013 to 2015.

Since there were only two reportable accidents occurred during the period from 1 April 2015 to the Latest Practicable Date, the LTIFR dropped significantly from the financial year 2015 to the Latest Practicable Date.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any material accidents involving fatal injuries.

ENVIRONMENTAL PROTECTION

For details of the laws and regulations in relation to environmental protection applicable to our business, please refer to the paragraph headed “Laws and Regulations – Environmental protection” of this prospectus.

For each of the three years ended 31 March 2015, our cost of compliance with the applicable environmental laws and regulations in Hong Kong were approximately HK\$2,691,000, HK\$1,265,000 and HK\$2,032,000, respectively, which primarily consisted of Government levy on the dumping of construction waste. During the Track Record Period and up to the Latest Practicable Date, we were not prosecuted for any breach of any applicable laws and regulations.

In recognition of our environmental policies, our environmental management system for our two operating subsidiaries, Progressive Foundation and Bright Access have been assessed and certified as meeting the requirements of ISO 14001: 2004 since 2015. For details, please refer to the paragraph headed “Awards and accreditation” in this section.

INSURANCE

Pursuant to section 40 of the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities under the Employees’ Compensation Ordinance and at common law for their employees’ injuries at work). We have taken out insurance policies in accordance with such requirements.

Under section 40(1B) of the Employees’ Compensation Ordinance, where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover its liability and that of its subcontractor(s) under the Employees’ Compensation Ordinance and at common law. Where a main contractor has taken out a policy of insurance under section 40(1B) of the Employees’ Compensation Ordinance, the principal contractor and a subcontractor insured under the policy shall be regarded as having complied with the relevant requirements of the

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Employees' Compensation Ordinance. As such, being a subcontractor or sub-subcontractor in foundation works and ancillary services projects and construction wastes handling projects, our Group's liability in respect of the claims from employees of our Group and our Group's subcontractors arising out of and in the course of their employment will be covered by the insurance policy taken out by the respective main contractor.

In addition, we also maintain contractors' all risk insurance for the construction projects to cover accidents and injuries of workers of subcontractors. For details, please refer to the section headed "Laws and Regulations" of this prospectus. Our Directors believe that, as at the Latest Practicable Date, we had adequate insurance coverage for the operations of our business.

During the Track Record Period, our Group maintained insurance coverage against, among other matters, (i) liability for third party bodily injury occurred in our office premises; (ii) loss or damage of our machinery; and (iii) third-party liability in relation to the use of our vehicles.

Our Directors confirm that the increase in insurance cost during the Track Record Period was due to the increase in the number of staff and machinery of our Group.

Certain types of risks, such as the risk in relation to the collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Our Directors consider that our insurance coverage is adequate and consistent with industry norm.

COMPETITIVE LANDSCAPE

Our foundation works and ancillary services contributed revenue of approximately HK\$173,739,000, HK\$170,070,000 and HK\$243,753,000, representing approximately 74.0%, 71.3% and 79.8% of our total revenue for each of the three years ended 31 March 2015, respectively. According to the Ipsos Report, credibility, relationships with working parties, quality of project management, project pricing and safety records are the determinants of competitiveness of a foundation engineering company in Hong Kong. The overall foundation industry is consolidated as the top five players contributed about 48.7% to the total revenue of the foundation industry in Hong Kong in 2014 with revenue each ranged from approximately HK\$1,110 million to HK\$3,192 million. They focus on foundation works that use large diameter bored pile (with bell-out), rock-socketed steel H-pile in pre-bored hole, steel H-pile, mini-pile and precast pre-stressed tubular pile. The top five subcontractors in the foundation industry, with revenue each ranged from approximately HK\$241 million to HK\$554 million, in aggregate had a market share of approximately 8.7% of the overall foundation industry for 2014. Our Group contributed to approximately 1.3% in revenue to the foundation industry and ranked fourth among the subcontractors in the foundation industry in 2014.

Our construction wastes handling services contributed revenue of approximately HK\$61,013,000, HK\$68,471,000 and HK\$61,560,000, representing approximately 26.0%, 28.7% and 20.2% of our total revenue for each of the three years ended 31 March 2015, respectively. According to the Ipsos Report, project pricing and relationship with customers are the main determinants of competitiveness of a construction wastes handling contractor in Hong Kong. The construction wastes handling industry is relatively small in size compared to

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other types of construction works. There have been around 10 active contractors tendering for construction wastes handling contracts. In 2014, there was only one subcontractor winning a contract for the sorting of C&D materials. In this sense, the market is dominated by the active contractors. Our Group contributed to approximately 15.5% in revenue of the construction wastes handling industry.


With our own machinery and equipment, specialist knowledge in the foundation industry and abundance of experience in the construction wastes handling industry, our Directors believe that our Group is in a competitive position in the foundation industry and the construction wastes handling industry in Hong Kong.

PROPERTY INTERESTS

As at the Latest Practicable Date, we did not own any land or property but we leased the following properties for our business operations, all from independent third parties:

Address	Monthly rental expenses HK\$	Use of the property	Tenancy
Units 2701-02, Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon	88,000	Office	Period up to 31 August 2017
Unit 1305, Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon	21,500	Office	Period up to 31 December 2015
Car Parking Spaces Nos. P206, P207, P316 at Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon	In aggregate 8,400	Parking space for our Group's motor vehicles	Periods up to 31 May 2016, 30 June 2016 and 14 July 2017, respectively
Car Parking Spaces Nos. 93 and 147 at the Grandiose, 9 Tong Chun Street, Tseung Kwan O, Sai Kung New Territories	In aggregate 6,600	Parking space for our Director	Periods up to 15 December 2015 and 8 September 2016, respectively

INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, our Group had applied for registration of our trademark  in Hong Kong, the registration of which had not yet been granted. Our Group had also registered a number of domain names. Please refer to the section headed "Statutory and General Information – B. Further information about the business – 2. Intellectual property rights" in Appendix IV to this prospectus for further details.

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As at the Latest Practicable Date, (i) we were not aware of any dispute or infringements by our Group of any intellectual property rights owned by third parties, and (ii) we were not aware of any dispute or pending or threatened claims against our Group in relation to material infringement of any intellectual property rights of third parties.

RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, we did not engage in any research and development activity.

EMPLOYEES, MANAGEMENT AND STAFF TRAINING

As at 31 March 2015, apart from our Board, we had 275 full-time employees who were directly employed by our Group in Hong Kong. A breakdown of our employees by function as at the same date is set forth in the table below:

	Number of employees as at 31 March 2015
Management	6
Finance, accounting	5
Project management and execution	22
Site workers	233
Human resources and administration	9
	<hr/>
Total	<u>275</u>

Our Group generally recruits our staff through placing advertisements in the open market with reference to factors including experience, qualifications and expertise required for our operations. They are normally subject to a 3-month probationary period starting on board. We endeavour to establish good employer-employee relationship and have our department dedicated with human resources function to promptly handle and address employee complaints and issues. During the Track Record Period, we did not encounter any material difficulties in hiring staff.

Our Directors confirm that except as disclosed under the paragraph headed “Litigation and potential claims” in this section, we do not have any major dispute with our employees during the Track Record Period and up to the Latest Practicable Date and generally we maintain a good working relationship with our employees; and we did not experience any labour shortages in staffing our projects of headquarters’ operation during the Track Record Period. Our Group has not set up any trade union for our employees.

We entered into separate labour contract with every of our employees in accordance with the applicable labour laws of Hong Kong. The remuneration offered to employees generally includes salaries and bonuses. In general, we determine salaries of our employees based on their qualifications, position and seniority.

We provide various trainings to our employees to improve their technical competence, knowledge of construction regulatory requirement and it is our Directors’ intention to nourish talents and strengthen their loyalty through sponsoring them with necessary trainings.

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Our Group operates an MPF scheme for all qualifying employees in Hong Kong, save as disclosed below under the paragraph headed “Legal and regulatory compliance – Non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date – Other non-compliances” in this section. The assets of the schemes are held separately from those of our Group, in funds under the control of trustees. Our Group contributes 5% of relevant monthly payroll costs to the MPF scheme, whose contribution is matched by employees and subject to a cap of HK\$1,250 from June 2012 to May 2014 and HK\$1,500 thereafter per employee. During the three years ended 31 March 2015, the total expenses recognised in the combined statement of profit or loss and other comprehensive income amounted to approximately HK\$2,235,000, HK\$2,674,000 and HK\$2,737,000, respectively, which represents contributions payable to the scheme by our Group at rates specified in the rules of the MPF scheme.

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and as at the Latest Practicable Date, our Group had been or is involved in a number of claims, litigations and potential claims against our Group. Set out below are the details of (i) the ongoing litigations against our Group as at the Latest Practicable Date; (ii) potential litigations in relation to employees’ compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date; (iii) the litigation against our Group settled or withdrawn during the Track Record Period and up to the Latest Practicable Date; and (iv) our criminal convictions during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view that occurrence of personal injury claims and employees’ compensation claims is not uncommon in the industry.

Ongoing litigations against our Group as at the Latest Practicable Date

Our Group companies have joined as a defendant in the course of our business in respect of the following four outstanding claims:

Name(s) of our Group company(ies)	Particular of the claims	Total amount involved for the ongoing claims <i>HK\$</i>	Status	Insurance coverage
<i>Employees’ compensation claim(s)</i>				
1. Chung Shun <i>(Note)</i>	In or about November 2011, it was purported that the applicant (who subsequently died independent from the accident) sustained right knee injury whilst transporting a top penal in the course of work.	To be assessed by the court	Ongoing. At discovery stage	To be covered by insurance policy
2. Chung Shun <i>(Note)</i>	In or about August 2013, it was purported that the applicant sustained chest wall injury whilst falling from a collapsed platform in the course of work.	To be assessed by the court	Ongoing. At pleading stage	To be covered by insurance policy

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Name(s) of our Group company(ies)	Particular of the claims	Total amount involved for the ongoing claims <i>HK\$</i>	Status	Insurance coverage
<i>Personal injury claim(s)</i>				
3. Chung Shun <i>(Note)</i>	In or about November 2011, it was purported that the injured (who subsequently died independent from the accident) sustained right knee injury whilst transporting an iron top penal in the course of work.	To be assessed by the court	Ongoing. At pleading stage	To be covered by insurance policy
4. Bright Access <i>(Note)</i>	In or about December 2012, it was purported that the injured sustained head, left shoulder and left upper arm injuries whilst slipping and falling from a slope in the course of work.	To be assessed by the court	Ongoing.	To be covered by insurance policy

Note: As the claim is being handled by the relevant insurer's lawyers, our Group is not in a position to assess the likely quantum of such claims. Our Directors take the view that the amount to be borne by our Group in the proceeding shall be covered by the relevant insurance policy and our Group's entire conduct of its defence against such claim in the proceeding has been taken up by the relevant insurer.

Potential litigations in relation to employees' compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date

Our Group's liabilities in a case of personal injuries to our employees by accidents arising out of and in the course of their employment include those under (i) the Employees' Compensation Ordinance; and (ii) common law personal injury claim. The Employees' Compensation Ordinance establishes a no-fault, non-contributory employee compensation system which gives employees the right to compensation in respect of (i) injuries or death caused by accidents arising out of and in the course of employment, or (ii) prescribed occupational diseases under the Employees' Compensation Ordinance. A common law personal injury claim may arise if the injury is caused to an employee by our negligence, breach of statutory duty, or other wrongful act or omission. For some of the potential claims, even if the relevant employees' compensation had been settled under our employees' compensation insurance, the injured employees may still pursue litigation claims through personal injury claims against us under common law. The damages awarded under common law claims are normally reduced by the value of the compensation paid or payable under the Employees' Compensation Ordinance in any event.

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As confirmed by our Directors, as at the Latest Practicable Date, there were (i) one employees' compensation claim which has been withdrawn against our Group but as the limitation period for personal injury claim (which is generally three years from the date of the relevant incidents) has not lapsed, it is still possible for the subject person to commence common law personal injury court proceeding against our Group; (ii) one employees' compensation claim which court proceeding against our Group has commenced but no common law personal injury court proceeding has commenced; and (iii) 12 work injury cases arising during usual and ordinary course of our business but no court proceeding has commenced in respect of such cases. These potential claims are within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant incidents. As such court proceedings have not commenced, we are not in a position to assess the likely quantum of such potential claims and outstanding claims. These accidents were caused during usual and ordinary course of our business and have not caused disruption to our Group's business or adverse impact on our Group to obtain any licences or permits for our operation. Please see below for a summary of the expiry of limitation period of the aforesaid work injury cases:

Year	Number of employees' compensation claims which limitation period will expire	Number of personal injury claims which limitation period will expire
2015	3	0
2016	7	5
2017	2	7
2018	0	2
Total:	<u>12</u>	<u>14</u>

Litigations against our Group settled or withdrawn during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, the following claims were settled, which were covered by insurance policies, or withdrawn against our Group.

Names of our Group companies	Particulars of the claims	Approximate settlement amount	Date of settlement/ withdrawal of claims
<i>Employees' compensation claims</i>			
1. Bright Access	On 11 November 2013, the applicant sustained injury to his right lower limb and back whilst moving materials.	N/A	12 February 2015

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Names of our Group companies	Particulars of the claims	Approximate settlement amount	Date of settlement/ withdrawal of claims
<i>Personal injury claims</i>			
1. Chung Shun	On 20 August 2008, the plaintiff sustained injury to her back and lower limbs whilst transporting waste and rubbish in the course of work.	HK\$170,000 (exclusive of costs)	19 October 2012
2. Chung Shun	On 13 July 2008, the plaintiff sustained head injury when lifting steel plates.	HK\$315,000	3 November 2012

No provision for litigation claims

Having considered, among other things, (i) the nature and the degree of injuries of the incidents; (ii) any payments made so far for settlement for the incidents; (iii) the status of the injured employees; (iv) the estimated total costs of treatment and potential claims against our Group of the incidents as assessed based on the experience of our management; (v) the coverage of insurance policy; and (vi) our Group's historical litigation records, our Directors consider that no provision for contingent liabilities in respect of current, pending and potential litigations is necessary.

Indemnity from our Controlling Shareholders

Our Controlling Shareholders have entered into a Deed of Indemnity in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, any claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature against any member of our Group in relation to any act, non-performance, omission or otherwise of any member of our Group on or before the date on which the Share Offer becomes unconditional. Please refer to the section headed "E. Other information – 1. Tax and other indemnities" in Appendix IV to this prospectus for details of the Deed of Indemnity. The Sponsor is satisfied that our Controlling Shareholders have sufficient financial resources to honour their obligations to provide indemnities in respect of the aforesaid outstanding claims against our Group under the Deed of Indemnity.

Save as disclosed above, our Directors, to the best of their knowledge, information and belief having made all reasonable enquiries, are not aware of any litigation proceedings pending or threatened against us which could have a material adverse effect on our financial condition or results of operations.

BUSINESS

Criminal convictions

During the Track Record Period and up to the Latest Practicable Date, our Group was convicted for 6 criminal litigations, which include, among other things, failure to ensure that every part of a metal pipe pile which was to be raised or lowered by the lifting appliance was securely suspended or supported, caused to be used powered mechanical equipment, namely a crane, for the purpose of carrying out construction work other than percussive piling in respect of which a construction noise permit was not in force, caused to be carried out construction work prescribed for the purpose of handling of steel bars and wooden boards, in respect of which a construction noise permit was not in force, failure to take adequate steps to prevent a person on the site from falling from a height of 2 metres or above, failure to take all reasonable steps to ensure that workman who was not wearing suitable safety helmet did not remain on site, and dirtying street by mud from vehicle. The criminal convictions were all monetary penalty and such convictions were made against our Group but not against our Directors or the senior management of our Group personally. Our Group was subject to fines which were paid by our Group. For details of the fines imposed on our Group, please refer to the paragraph headed “Legal and regulatory compliance – Non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date – Operational non-compliance matters” of this section below.

LEGAL AND REGULATORY COMPLIANCE

Non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date

Our subsidiaries have on occasions not complied with certain statutory requirements during the Track Record Period and up to the Latest Practicable Date, as described below.

Operational non-compliance matters

The table below summarises certain non-compliance of/convictions against our Group during the Track Record Period in relation to its business operation:

Names of our Group companies	Offence	Date of Summons	Penalty	Personnel involved in the breach
Bright Access	Failing to ensure that every part of the load, namely a metal pipe pile which was to be raised or lowered by the lifting appliance was securely suspended or supported contrary to Regulations 7J(1)(a) and 19 of Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations of Factories and Industrial Undertakings Ordinance, Cap. 59	20 September 2014	HK\$8,000	Safety officer of Bright Access at the relevant time

BUSINESS

Names of our Group companies	Offence	Date of Summons	Penalty	Personnel involved in the breach
Bright Access	Caused to be used powered mechanical equipment, namely a crane, for the purpose of carrying out construction work other than percussive piling in respect of which a construction noise permit was not in force contrary to sections 6(1)(a) and 6(5) of Noise Control Ordinance, Cap. 400	22 March 2013	HK\$10,000	Safety officer of Bright Access at the relevant time
Bright Access	Caused to be carried out construction work prescribed for the purposes of section 6(2) of the Noise Control Ordinance, Cap. 400, namely handling of steel bars and wooden boards, in respect of which a construction noise permit was not in force contrary to sections 6(2)(a) and 6(5) of Noise Control Ordinance, Cap. 400	22 March 2013	HK\$10,000	Safety officer of Bright Access at the relevant time
Bright Access	Failing to take adequate steps to prevent a person on the site from falling from a height of 2 metres or more contrary to sections 38B(1A), 68(1)(a) and 68(2)(g) of Construction Sites (Safety) Regulations of Factories and Industrial Undertakings Ordinance, Cap. 59	6 February 2013	HK\$3,000	Safety officer of Bright Access at the relevant time
Bright Access	Failing to take all reasonable steps to ensure that workman who was not wearing suitable safety helmet did not remain on site, contrary to sections 48(1A)(b), 68(1)(a) and 68(2)(b) of Construction Sites (Safety) Regulations of Factories and Industrial Undertakings Ordinance, Cap. 59	6 February 2013	HK\$1,800	Safety officer of Bright Access at the relevant time

BUSINESS

Names of our Group companies	Offence	Date of Summons	Penalty	Personnel involved in the breach
Chung Shun	Dirtying street by mud etc. from vehicle (against owner/hirer) contrary to sections 9(2) and 23(2) of Public Cleansing and Prevention of Nuisances Regulation made under Public Health and Municipal Services Ordinance, Cap. 132	12 September 2013	HK\$1,500	Safety supervisor of Chung Shun at the relevant time

As confirmed by our Directors, the criminal convictions against our Group generally arose because our safety officer or supervisor at the relevant time did not strictly follow the safety policies or guidelines issued by our Group. Our Directors consider, and the Sponsor concurs, that the aforesaid criminal convictions are not material given that (i) the legal consequence only involved imposition of monetary penalty against our Group; (ii) our Group was fined HK\$34,300 in total for its criminal convictions within the Track Record Period, which was an insignificant amount without material impact on our financial position; and (iii) such criminal convictions were made against our Group but not against our Directors or senior management personally. The aforesaid non-compliance incidents did not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors and senior management of our Group. To prevent the recurrence of such non-compliance incidents, our Group has adopted preventative measures which are set out in the paragraph headed “Legal and regulatory compliance – Internal control measures to prevent the recurrence of non-compliance incidents” of this section below.

Our Group is a registered minor works contractor with the Buildings Department and a registered subcontractor under the Subcontractor Registration Scheme maintained by the Construction Industry Council in Hong Kong. For details, please refer to the paragraph headed “Business — Licences and permits” of this section.

For renewal of registration as a registered minor works contractor, the Building Authority will assess the suitability of a contractor for retention of its name in the register if it has been, among other things, convicted of seven or more labour safety offences relating to building works committed within a rolling six months, and convicted of four or more environmental offences committed on the same site within a rolling three months. A registered subcontractor under the Subcontractor Registration Scheme may be subject to regulatory actions (including revocation of or suspension from registration) if it has, among other things, conviction of five or more offences under the Factories and Industrial Undertakings Ordinance and/or Occupational Safety and Health Ordinance each arising out of separate incidents in any six-month period. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, the number of convictions of each of the members of our Group in relation to the said offences or ordinances did not reach the prescribed numbers. As such, our Directors are of the view, and the Sponsor concurs, that the validity of our Group’s licences and qualifications would not be affected by the past criminal convictions against our Group.

BUSINESS

Non-compliance with the Predecessor Companies Ordinance and the Companies Ordinance

Our subsidiaries have inadvertently breached certain sections of the Predecessor Companies Ordinance and the Companies Ordinance. The table below summarises the non-compliance with the requirements of the Predecessor Companies Ordinance and the Companies Ordinance by our subsidiaries during the Track Record Period and up to the Latest Practicable Date:

Names of our Group companies	Item(s) of non-compliance	Particulars of the non-compliance	Cause for the non-compliance	Personnel involved in the non-compliance	Remedial actions	Potential maximum penalty/fine
Progressive Foundation, Bright Access, Chung Shun and Win Target	Non-compliance with filing requirement stipulated in the Predecessor Companies Ordinance and/or the Companies Ordinance	Late filing of various specified forms with the Companies Registry from 2012 to 2015.	As confirmed by our Directors, the relevant Group company had been relying on its then internal company secretary for the preparation of its filings with the Companies Registry, who had inadvertently delayed the filing.	Former internal company secretary of the relevant Group company at the relevant time	The forms were filed.	The relevant Group company and every responsible person shall be liable to a potential maximum principal fine ranging from HK\$10,000 to HK\$50,000 and a potential maximum daily default fine ranging from HK\$300 to HK\$1,000 for each offence. As advised by our Legal Counsel, the chance of prosecution is quite remote since those late filings are not non-compliances in a very serious nature. Even if there is any prosecution, our Legal Counsel is of the view that the chance of maximum sentence being imposed is quite remote.

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Names of our Group companies	Item(s) of non-compliance	Particulars of the non-compliance	Cause for the non-compliance	Personnel involved in the non-compliance	Remedial actions	Potential maximum penalty/fine
Progressive Foundation, Bright Access, Chung Shun and Win Target	Non-compliance with section 122 of the Predecessor Companies Ordinance	No profit and loss account and balance sheet were laid before the company at its annual general meetings of years 2012, 2013 and/or 2014; and/ or the profit and loss account and balance sheet of years 2012, 2013 and/or 2014 were not approved in annual general meetings within 9 months after the year-end dates.	As confirmed by our Directors, the relevant Group company had been relying on its then external accountants for the preparation of its financial statements, who had failed to prepare the relevant financial statements in time.	Former internal accountant of the relevant Group company at the relevant time	Our Directors are of the view that no remedial action is necessary given (i) the reluctance of the court in entertaining the application for remedying breaches regarding laying/approval of profit and loss account and balance sheet; (ii) the chance of prosecution is not particularly high as advised by our Legal Counsel; and (iii) the indemnity by the Controlling Shareholders to our Group pursuant to the Deed of Indemnity.	Directors of the relevant Group company shall be liable to a potential maximum fine of HK\$300,000 and imprisonment for 12 months. As advised by our Legal Counsel, the chance of prosecution is not particularly high since (i) even though some financial statements were issued late and were not presented in the annual general meetings of the corresponding years, eventually they have been or will be laid in other annual general meetings; and/or (ii) the directors and the shareholders of the relevant Group company have all along been the same persons, so all shareholders were fully aware of the financial affairs of the relevant Group company.

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Names of our Group companies	Item(s) of non-compliance	Particulars of the non-compliance	Cause for the non-compliance	Personnel involved in the non-compliance	Remedial actions	Potential maximum penalty/fine
Progressive Foundation	Non-compliance with section 123(2) of the Predecessor Companies Ordinance	Failing to annex a statement as required under paragraph 18(4) of the Tenth Schedule to the Predecessor Companies Ordinance when group accounts were not submitted for the financial years ended 31 March 2013 and 31 March 2014.	As confirmed by our Directors, Progressive Foundation had been relying on its then internal accountant for the preparation of its financial statements, who had failed to prepare the financial statements in compliance with the Predecessor Companies Ordinance.	Former internal accountant of Progressive Foundation	Our Directors are of the view that no remedial action is necessary given (i) the reluctance of the court in entertaining the application for remedying breaches regarding laying/approval of profit and loss account and balance sheet; (ii) the chance of prosecution is not particularly high as advised by our Legal Counsel; and (iii) the indemnity by the Controlling Shareholders to our Group pursuant to the Deed of Indemnity.	Progressive Foundation's directors shall be liable to a potential maximum fine of HK\$300,000 and imprisonment for 12 months under the Predecessor Companies Ordinance. As advised by our Legal Counsel, given that (i) the directors of Progressive Foundation are willing to engage professional accountants to prepare a proper form of financial statements to be presented in an extraordinary general meeting once ready; (ii) the breach was not committed deliberately; and (iii) the breach was a technical matter and there was no prejudice to the shareholders of Progressive Foundation since they were all along aware of the financial affairs of the subsidiary, the chance of prosecution is not particularly high. Even if there is any prosecution, our Legal Counsel is of the view that the chance of maximum sentence being imposed and/or imprisonment is also not particularly high.

BUSINESS

Other non-compliances

Our subsidiaries have inadvertently breached certain ordinances during the Track Record Period and up to the Latest Practicable Date. Details of the breaches are as follows:-

Names of our Group companies	Item(s) of non-compliance	Particulars of the non-compliance	Cause for the non-compliance	Personnel involved in the non-compliance	Remedial actions	Potential maximum penalty/fine
Bright Access	Non-compliance with section 7 of the Mandatory Provident Fund Schemes Ordinance	Failing to enroll its directors Mr. Chan Wing Chung and Mr. Ip Ying Chau in a Mandatory Provident Fund scheme for the period from November 2012 to October 2014, and from November 2012 to February 2013, respectively.	As confirmed by our Directors, Bright Access had been relying on its then internal accountant handling Mandatory Provident Fund schemes related matters, who had inadvertently delayed making the contributions.	Former internal accountant of Bright Access	The outstanding Mandatory Provident Fund contributions for the relevant periods have been made up on 6 May 2015.	<p>Bright Access shall be liable to a potential maximum penalty of HK\$100,000 for each offence and the directors of Bright Access shall be liable to a potential maximum penalty of HK\$100,000 and imprisonment for 6 months.</p> <p>As advised by our Legal Counsel, since the period of default for Mr. Ip Ying Chau was only 3 months' time commencing from his employment with Bright Access and all outstanding contributions were paid, the chance of prosecution of Bright Access and its directors in relation to Mr. Ip Ying Chau's employment is not high.</p> <p>Regarding Mr. Chan Wing Chung's employment, our Legal Counsel advised that the chance of prosecution of Bright Access and its directors is not particularly high since (i) it is not the case of an employer trying to deprive the entitlement of an employee under the Mandatory Provident Fund Ordinance; and (ii) all outstanding amounts of contributions have been made up.</p>

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Names of our Group companies	Item(s) of non-compliance	Particulars of the non-compliance	Cause for the non-compliance	Personnel involved in the non-compliance	Remedial actions	Potential maximum penalty/fine
Bright Access and Chung Shun	Non-compliance with sections 52(4) and 52(5) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "IRO")	Failing to give the required notice (Form 56E) under the IRO to the Commissioner of Inland Revenue not later than three months after the date of commencement of employment of an individual, and the required notice (Form 56F) to the Commissioner of Inland Revenue not later than one month before ceasing to employ an individual.	As confirmed by our Directors, Bright Access and Chung Shun had been relying on their then internal accountant who had inadvertently delayed giving the required notices.	Former internal accountant of Bright Access and Chung Shun	67 of the outstanding Forms 56E and 32 of the outstanding Forms 56F were filed on 21 May 2015. Our Group was subsequently informed by the Inland Revenue Department not to file further Forms 56F and Forms 56E as remedial action. As at the Latest Practicable Date, we had not received any request of the Inland Revenue Department for filing of the relevant Forms 56F and Forms 56E.	Under the IRO, each of Bright Access and Chung Shun shall be liable to a potential maximum penalty of HK\$10,000 for each offence. As advised by our Legal Counsel, given that the offences are quite minor and technical in nature, and since the Inland Revenue Department was aware of the employment affairs of Bright Access and Chung Shun from the Forms 56B which had been duly filed by them, the chance of prosecution is remote. Even if there is any prosecution, the chance of maximum sentence being imposed upon successful conviction is also remote.

As confirmed by our Directors, our subsidiaries did not receive any notices for any fines or penalties in relation to the above Predecessor Companies Ordinance and Companies Ordinance-related non-compliance as at the Latest Practicable Date.

Based on the advice of our Legal Counsel on each of the non-compliances as abovementioned, our Directors are of the view that there would be no material impact on our Group's operation or financial positions as a result of the above instances of non-compliance.

Our Controlling Shareholders, collectively as the indemnifiers, have entered into the Deed of Indemnity in favour of our Company, under which the indemnifiers jointly and severally covenant and undertake with our Company to indemnify our Group against losses, liabilities, damages, costs, claims and expenses incurred by our Group in relation to these non-compliance matters on or before the date on which the Share Offer becomes unconditional. More details of the Deed of Indemnity are set out in "E. Other information – 1. Tax and other indemnities" in Appendix IV to this prospectus.

Our Directors consider the potential maximum penalties of the abovementioned non-compliance incidents to be immaterial. Accordingly, no provision for the penalties has been made by our Directors for the preparation of the financial statements.

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Having taken into account that (i) having regard to the one-off nature of the aforesaid non-compliances; (ii) after becoming aware of the non-compliances and after considering the advice of our Legal Counsel, our Directors have taken relevant remedial actions where necessary and appropriate; and (iii) after adopting the preventative measures as set out in the paragraph headed “Legal and regulatory compliance – Non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date – Internal control measures to prevent the recurrence of non-compliance incidents” of this section below, there has not been any recurrence of similar types of non-compliances and there was no indication that our Directors lack the ability to operate the business in a fully compliant manner after adopting the preventative measures, our Directors are of the view, and the Sponsor concurs, that the non-compliances do not reflect, in any material respect, negatively on the ability and tendency of our Company and our Directors to operate in a compliant manner and therefore our Directors and the Sponsor consider that the non-compliances were not systemic non-compliances.

Furthermore, taking into account (i) the aforesaid non-compliances were mainly due to over-sight or misunderstanding of certain provisions of the ordinances; (ii) the aforesaid non-compliances did not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors; and (iii) our Directors have adopted the preventative measures as set out in the paragraph headed “Legal and regulatory compliance – Non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date – Internal control measures to prevent the recurrence of non-compliance incidents” of this section below, our Directors are of the view, and the Sponsor concurs, that these non-compliances do not reflect a material defect in the character, integrity or experience of our Directors. Furthermore, our Directors have been given training on the new Companies Ordinance. Our Directors are therefore of the view, and the Sponsor concurs, that our Directors are suitable to act as our Company’s Directors under Rules 3.08 and 3.09 of the Listing Rules. Furthermore, given the rectification status of the non-compliances identified as well as the Deed of Indemnity given in favour of us by our Controlling Shareholders, our Directors are of the view, and the Sponsor concurs, that the abovementioned non-compliances do not affect our suitability of listing under Rule 8.04 of the Listing Rules.

Internal control measures to prevent the recurrence of non-compliance incidents

In order to continuously improve our Group’s corporate governance and to prevent recurrence of the abovementioned non-compliances in the future, our Group has, after taking into account the recommendations made by CT Partners Consultants Limited (“**CT Partners**”), an independent internal control adviser engaged by us as disclosed in the paragraph headed “Review by CT Partners” below, adopted or will adopt the following measures:

1. with regard to the non-compliance in relation to the Companies Ordinance, Predecessor Companies Ordinance and Inland Revenue Ordinance, our financial controller, Mr. Lam Sing Hon, has been responsible for keeping the filing register up to date on a monthly basis starting from May 2015 and we will seek legal advice from external legal advisers to ensure ongoing compliance;
2. regular training given by external safety consultant will be arranged at least annually for all staff members so as to discuss and study the relevant regulatory and safety requirements in relation to our responsibilities and duties;

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3. on 15 May 2015, our Directors attended training sessions conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange;
4. our Company will engage external legal advisers to provide regular training to our Directors annually on the relevant regulatory requirements relating to our Group's operations;
5. we have engaged CT Partners to have an annual review on the adequacy and effectiveness of our internal control system for the year ending 31 March 2016, including areas of financial, operational, compliance and risk management; and
6. on 12 August 2015, we established an audit committee which comprises all independent non-executive Directors, namely Mr. Cheung Kwok Yan Wilfred, Mr. Feng Zhidong and Mr. Ho Ho Ming. The audit committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations.

With regard to the non-compliance in relation to the Mandatory Provident Fund Schemes Ordinance (the "MPFSO"), our Group has hired new staff to strengthen our human resources department and these new staff with clear instructions to assist human resources tasks and perform payroll and related functions. Our financial controller Mr. Lam Sing Hon, has been assigned to oversee the compliance issues which include, inter alia, the compliance with the provisions under the MPFSO. Mr. Lam Sing Hon will report to the audit committee of our Company on an annual basis on the compliance issues and the compliance with the MPFSO.

Our Company has also implemented a human resources management system supported by a leading financial services group providing financial protection and wealth management products and services, the system is capable of providing MPF contribution calculation and remittance solutions for each staff, which greatly reduces the chance of clerical error and risk of non-compliance with the MPFSO.

For the general compliance obligation, a compliance manual has been established and it will be referred when we encounter any compliance issues, and we will continuously update the manual, and if it is necessary, we will seek advice from legal consultants.

We have also employed a Quality, Safety Health and Environment Director and an additional Safety Officer in January 2015 to oversee the safety issues and ensure our Company's obligation is properly fulfilled. They are also responsible to ensure all minor work injury cases are properly recorded and our Company's procedures for work injury would be followed. Also, they need to confirm all reportings are complied with the required regulations.

In terms of safety issues, our additional Safety Officer will perform regular site visit to monitor and ensure proper working procedures and guidelines are followed by the staff. Also, we have engaged external safety consultants to perform safety audit in January 2015, and we will engage safety consultants regularly to review safety issues of our sites.

Review by CT Partners

On 8 December 2014, we engaged CT Partners to perform a detailed evaluation under the Committee of Sponsoring Organisations of the Treadway Commission's 2013 framework of the adequacy and effectiveness of our Group's internal control system including the areas of financial, operation, compliance and risk management. Following such review and evaluation performed by CT Partners, our Group has implemented all of the recommendations given by CT Partners on our internal control system.

CT Partners is a company rendering internal control review services, which has previously engaged in internal control review projects for a number of companies listed on the Stock Exchange. Besides, the engagement team of CT Partners includes a Certified Internal Auditor, members of the Hong Kong Institute of Certified Public Accountants, a member of the Society of Chinese Accountants & Auditors, a fellow member of the Association of Chartered Certified Accountants, a member of the Association of International Accountants, a member of Certified General Accountants Association of British Columbia, and a member of the Taxation Institute of Hong Kong and a Certified Tax Adviser (HK).

In relation to the non-compliance incidents mentioned above, CT Partners has reviewed and provided recommendations to our internal control designs for preventing the recurrence of the above-mentioned non-compliance incidents. Key measures adopted and to be adopted by our Group pursuant to the recommendations of CT Partners are set out in the paragraph headed "Internal control measures to prevent the recurrence of non-compliance incidents" in this section.

CT Partners performed follow up review on 4 June 2015 in this connection and the result of the follow up review was that CT Partners did not note any statement of findings of material weakness or material insufficiency in our Group's internal control system.

View of our Directors and the Sponsor

Our Directors consider that the above mentioned non-compliance incidents would not affect the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability of listing of our Company under Rule 8.04 of the Listing Rules having taken into account that (i) our Group has fully rectified all of the non-compliance incidents, if applicable; (ii) our Group has implemented (or will implement where applicable) the abovementioned measures to avoid recurrence of the non-compliance incidents; (iii) there were no recurring of similar non-compliance incidents since the implementation of such measures; and (iv) the non-compliance incidents were unintentional, did not involve any dishonesty or fraudulent act on the part of our executive Directors, and did not raise any question as to the integrity of our executive Directors. In view of the above, our Directors believe, and the Sponsor concurs that, the internal control measures are sufficient and could effectively ensure a proper internal control system of our Group and prevent the recurrence of non-compliance incident of the same nature.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the Capitalisation Issue and the Share Offer, each of Mr. Chan Wing Chung, Mr. Ip Ying Chau and Grand Jade will control more than 30% of the issued share capital of our Company. For the purpose of the Listing Rules, Mr. Chan Wing Chung, Mr. Ip Ying Chau and Grand Jade are the Controlling Shareholders of our Company. Grand Jade is an investment holding company. Each of Mr. Chan Wing Chung, Mr. Ip Ying Chau and Grand Jade confirms that it or he does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on its businesses independently of, and does not place undue reliance on, our Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. During the Track Record Period, our Group has certain amounts due to/from our Controlling Shareholders, please refer to the section headed “Financial Information – Related party transactions and balances” of this prospectus and Note 17 (Amounts due from/to directors) of the Accountants’ Report set out in Appendix I to this prospectus for further details. All amounts due to/from our Controlling Shareholders were fully settled by cash or by setting off before Listing. During the Track Record Period, certain bank borrowings and overdraft were secured/guaranteed by personal guarantees of our Controlling Shareholders and properties held by one of our Controlling Shareholders, please refer to the section headed “Financial Information – Indebtedness” of this prospectus and Note 20 (Borrowings) of the Accountants’ Report set out in Appendix I to this prospectus for further details. All the above securities/guarantees provided to our Group will be released upon Listing. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations.

(ii) Operational independence

Our Group has established our own organisational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their associates.

(iii) Independence of management

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business. The main function of our Board includes the approval of our overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. We have an independent management team, which is led by a team of senior management with substantial experience and expertise in our business, to implement our Group’s policies and strategies.

Our Board consists of seven Directors, comprising four executive Directors, and three independent non-executive Directors. Ms. Tung Ah Pui Athena is the spouse of Mr. Ip Ying

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Chau. Mr. Chan Wing Chung and Mr. Ip Ying Chau are the only directors of Grand Jade, a Controlling Shareholder. Save for Mr. Chan Wing Chung and Mr. Ip Ying Chau, no other Directors nor members of senior management of our Group hold any directorship or position in Grand Jade.

Each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transactions and shall not be counted in the quorum.

(iv) Independence of major suppliers

Our Directors and their respective close associates did not have any relationship with the top five suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

(v) Independence of major customers

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates have any relationship with the top five customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period. Our Directors are of the view that our Group does not unduly rely on our Controlling Shareholders and/or their respective close associates.

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group and each of Mr. Ip Ying Chau, Mr. Chan Wing Chung and Grand Jade (the "**Covenantors**"), each of the Covenantors has executed a Deed of Non-competition on 17 August 2015 in favour of our Company (for ourselves and for the benefit of each other member of our Group). Pursuant to the Deeds of Non-competition, during the period that the respective Deed of Non-competition remain effective, each of the Covenantors irrevocably and unconditionally undertakes to our Company (for ourselves and for the benefit of each other member of our Group) that he/it shall not, and shall procure his or its close associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group or any business activity to be conducted by any member of our Group from time to time.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

When business opportunities which may compete with the business of our Group arise, the respective Covenantor(s) shall, and shall procure their respective close associates to, give our Company notice in writing and we shall have a right of first refusal to take up such business opportunities. We shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal. Within 30 days after receipt of written notice concerning offer of such business opportunities from the Covenantor(s) or his/its close associate(s), we shall notify the Covenantor(s) whether we intend to accept the offer. If we decline any such offer, the Covenantor(s) and/or his/its close associate(s) shall then be allowed to acquire the business opportunities offered on terms no more favourable than those offered to us.

The Deeds of Non-competition are conditional upon the fulfilment of the following conditions:

- (i) the Listing Committee granting the approval for the listing of, and permission to deal in, our Shares; and
- (ii) the fulfilment of the conditions precedent under the Underwriting Agreements (including waiver of any conditions precedent by the Underwriters, if applicable) and the Underwriting Agreements not being terminated.

If any of such conditions is not fulfilled on or before the date agreed between the Underwriters and our Company or the Underwriters and our Company have agreed to terminate the Underwriting Agreements thereafter, the Deeds of Non-competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deeds of Non-competition.

The Deeds of Non-competition shall terminate when (i) the Covenantor whether individually or taken together with his or its close associates, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the issued share capital of our Company; or (ii) our Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of our Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

Each of the Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in the best interests of our Company and our Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) the Covenantors will make an annual confirmation as to compliance with his/its undertaking under the Deeds of Non-competition for inclusion in the annual report of our Company;
- (ii) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgment. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors, Senior Management and Staff” of this prospectus;

- (iii) our Company has appointed TC Capital Asia Limited as the compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls;
- (iv) the Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deeds of Non-competition; and
- (v) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deeds of Non-competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deeds of Non-competition.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

OVERVIEW

Our Board currently consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business.

The following table sets out information regarding our Directors and our senior management:

Directors

Name	Age	Position	Date of joining our Group	Date of appointment as Director of our Company	Responsibilities	Relationship with other Directors and senior management
Mr. Ip Ying Chau	44	Executive Director, chairman of our Board and chief executive officer	11 May 2012	15 May 2015	Responsible for formulating corporative and business strategies and making major operational decisions	Spouse of Ms. Tung Ah Pui Athena
Mr. Chan Wing Chung	50	Executive Director and vice chairman of our Board	4 February 2004	15 May 2015	Responsible for formulating corporative and business strategies and making major operational decisions	N/A
Ms. Tung Ah Pui Athena	44	Executive Director	4 September 2014	15 May 2015	Responsible for overseeing the daily operation of our Group	Spouse of Mr. Ip Ying Chau
Mr. Chan Chiang Kan	44	Executive Director	1 August 2012	15 May 2015	Responsible for assisting our chief executive officer in project management	N/A
Mr. Cheung Kwok Yan Wilfred	35	Independent non-executive Director	12 August 2015	12 August 2015	Acting as an independent Director	N/A
Mr. Feng Zhidong	41	Independent non-executive Director	12 August 2015	12 August 2015	Acting as an independent Director	N/A

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name	Age	Position	Date of joining our Group	Date of appointment as Director of our Company	Responsibilities	Relationship with other Directors and senior management
Mr. Ho Ho Ming	43	Independent non-executive Director	12 August 2015	12 August 2015	Acting as an independent Director	N/A

Senior Management

Name	Age	Position	Date of joining our Group	Date of appointment of current position	Responsibilities	Relationship with other Directors and senior management
Mr. Kwan Chung Shing	50	Head of site operation department	1 April 2006	1 May 2015	Responsible for overseeing the site operations	N/A
Mr. Ng Kam Yu	40	Head of project department/ Project manager	1 January 2014	1 May 2015	Responsible for managing our overall construction projects and sites	N/A
Ms. Fong Yeuk Lan	36	Head of quantity surveying department/ Senior quantity surveying manager	1 June 2002	1 April 2013	Responsible for overseeing quantity surveying activities	N/A
Mr. Lam Sing Hon	29	Financial controller	26 January 2015	26 January 2015	Responsible for overseeing the financial operations of our Group	N/A

DIRECTORS

Executive Directors

Mr. IP Ying Chau (葉應洲) (“Mr. Ip”), aged 44, is our executive Director, chairman and chief executive officer. Mr. Ip is primarily responsible for overall strategic development, project management and client management of our Group. Mr. Ip is also a director of all the wholly-owned subsidiaries of our Group. Mr. Ip together with Mr. Chan, founded Progressive Foundation on 11 May 2012 and was appointed as director of Bright Access on 17 November 2014. Mr. Ip obtained a Bachelor of Engineering degree from the University of Hong Kong in

DIRECTORS, SENIOR MANAGEMENT AND STAFF

January 1995 and a Master of Science degree in Engineering from the University of Hong Kong in December 1998. Mr. Ip has accumulated about 19 years of experience in the foundation works industry. Prior to joining Bright Access and co-founding Progressive Foundation, Mr. Ip was a graduate engineer at Ove Arup & Partners Hong Kong Limited from August 1994 to August 1998, an assistant geotechnical engineer at Mass Transit Railway Corporation Limited (stock code: 66) from August 1998 to March 2001 and a project manager at Konwall Construction & Engineering Company Limited and W.M. Construction Limited from April 2001 to February 2005 and from September 2006 to March 2012, respectively. Mr. Ip is the spouse of Ms. Tung Ah Pui Athena.

Mr. CHAN Wing Chung (陳永忠) (“Mr. Chan”), aged 50, is our executive Director and our vice chairman. Mr. Chan is primarily responsible for overall strategic development, project management and client management of our Group. Mr. Chan is also a director of all the wholly-owned subsidiaries of our Group except for Win Target. Mr. Chan joined Chung Shun and Bright Access as a director on 4 February 2004 and 28 November 2008, respectively, and together with Mr. Ip Ying Chau, founded Progressive Foundation on 11 May 2012. He has over 20 years of experience in the foundation works industry. Mr. Chan attended secondary school education in Hong Kong. Mr. Chan was a director of Ace Team Development Limited which was incorporated in Hong Kong and was dissolved by means of striking off on 29 January 2010 pursuant to section 291 of the Predecessor Companies Ordinance. Mr. Chan confirmed that the said company was solvent and inactive at the time of being struck off and that its dissolution had not resulted in any liability or obligation imposed against him.

Ms. TUNG Ah Pui Athena (董亞蓓) (“Ms. Tung”), aged 44, is our executive Director. Ms. Tung is responsible for general management, as well as the daily operations of our Group including human resources management, strategic planning and business development of our Group, developing and implementing business plans and budgets and their periodical review and establishing and monitoring the compliance with company policies and procedures. Ms. Tung possesses over 10 years of project management experience in various industries. Between March 2006 and June 2010, Ms. Tung was the order management manager at Bayer MaterialScience Limited. She was employed as the portfolio lead in the department of information management at Cathay Pacific Airways Limited from October 2010 to January 2012. From January 2012 to September 2014, she was employed by Standard Chartered Bank (HK) Limited and her last designation was director of channel management department. Ms. Tung obtained a Bachelor of Arts degree from The Chinese University of Hong Kong in December 1995 and a Professional Diploma in Six Sigma (Black Belt) for Service Industries from the School of Continuing and Professional Studies at The Chinese University of Hong Kong in June 2010. Ms. Tung is the spouse of Mr. Ip.

Mr. CHAN Chiang Kan (陳獎勤) (“Mr. Chan C.K.”), aged 44, is our executive Director. Mr. Chan C.K. is responsible for assisting our chief executive officer in project management. He has over 16 years of experience in the foundation work industry. Prior to joining our Group, Mr. Chan C.K. worked for Maunsell Geotechnical Services Limited (“Maunsell”) from November 1995 to June 2000 as assistant engineer. He later rejoined Maunsell again in February 2001 and worked until April 2007 with last position held as geotechnical engineer. From July 2009 to August 2012, he was employed as an engineer at Ove Arup & Partners Hong Kong Limited. Mr. Chan C.K. was seconded to Win Win Way Construction Company Limited as a senior project manager from August 2012 to February 2013 when he joined our Group as a project manager in August 2012. Mr. Chan C.K. obtained a Bachelor of Engineering from The Hong Kong Polytechnic University in October 1995 and a Master of Science degree in Engineering from the University of Hong Kong in December

DIRECTORS, SENIOR MANAGEMENT AND STAFF

2006. Mr. Chan C.K. is a member of the Hong Kong Institution Engineers and the Institution of Civil Engineers. Mr. Chan C.K. is also a registered professional engineer (civil).

Independent non-executive Directors

Mr. CHEUNG Kwok Yan Wilfred (張國仁) (“Mr. Cheung”), aged 35, was appointed as an independent non-executive Director on 12 August 2015. Mr. Cheung graduated from the University of Buckingham in the United Kingdom with a Bachelor of Science (Economics) in accounting and financial management in February 2005. Mr. Cheung is a fellow of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Directors. Mr. Cheung joined Moores Rowland Mazars CPA Limited in September 2005 as associate and later transferred his employment under Mazars CPA Limited after the reorganisation of Moores Rowland Mazars in June 2007. Mr. Cheung left Mazars CPA Limited in October 2007 and joined Grant Thornton as senior accountant in its China practice division until December 2008. Mr. Cheung then moved to the United Kingdom and worked for the Royal Bank of Canada Europe Limited as accounts preparer in its CEES UK Department from March 2009 to January 2010. Mr. Cheung then returned to Hong Kong and was employed by Harmonic Strait Financial Holdings Limited (formerly known as Rainbow Brothers Holdings Limited) (Stock code: 33), the issued shares of which is listed on the Main Board of the Stock Exchange, from February 2010 to August 2010 as senior associate in corporate finance. Mr. Cheung later joined Mega International Food Limited as its financial controller in September 2010 and was appointed as general manager of its fellow subsidiary, Poly Shining Limited, Mr. Cheung left the group in March 2013. From August 2013 onwards, Mr. Cheung sits at the head of finance and is the Finance Director of The Gate Worldwide Limited, an international advertising agency.

Mr. Cheung is currently an independent non-executive director of Chun Sing Engineering Holdings Limited (stock code: 2277), the issued shares of which are listed on the Main Board of the Stock Exchange.

Mr. FENG Zhidong (馮志東) (“Mr. Feng”), aged 41, was appointed as an independent non-executive Director on 12 August 2015. Mr. Feng graduated from the School of Business of Renmin University of China with his major study in international accounting in July 1995 and obtained the Master Degree of Business Administration in South China University of Technology in February 2004. He obtained the qualification of Chinese Accountant in May 1995. Mr. Feng is a member of Hong Kong Securities and Investment Institute and Hong Kong Investor Relations Association. Mr. Feng is also the Deputy General Manager of the Capital Department of Yue Xiu Enterprises (Holdings) Limited (“**Yuexiu Group**”) since December 2009 and the general manager of the Investor Relations Department of a group company of Yuexiu Property Company Limited (Stock Code: 00123) since April 2012. Mr. Feng is familiar with the operations of capital markets of listed companies and has participated in major capital operation projects of the Yuexiu Group since 2007. He also has practical experience in financial management, capital operations and managing investor relations.

Mr. HO Ho Ming (何昊洛) (former name: HO Wing Hang (何榮亨)) (“Mr. Ho”), aged 43, was appointed as an independent non-executive Director on 12 August 2015. Mr. Ho is currently an adjunct professor of the Department of Real Estate and Construction at the University of Hong Kong. In addition, Mr. Ho is an honorary associate of the Asia-Pacific Institute of Business of The Chinese University of Hong Kong and an external advisory member of the Departmental Advisory Committee on Applied Mathematics at The Hong Kong

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Polytechnic University. Mr. Ho has about 16 years of experience in the field of investment banking and credit rating. From April 1996 to September 1997, he was employed as an analyst by Credit Suisse First Boston (Hong Kong) Limited. From September 1997 to September 1998, he was employed as an analyst by Merrill Lynch (Asia Pacific) Limited. From December 1999 to February 2002, he was employed as an Associate by Bear Sterns Asia Limited. From April 2003 to October 2013, he was employed by Fitch (Hong Kong) Limited and his position was senior director, structured finance at the time of his departure. From October 2013 to September 2014, he was employed as chief analyst by Universal Credit Rating Group. Mr. Ho graduated from the Hong Kong University of Science and Technology with a Bachelor of Business Administration in Information and Systems Management in November 1996. He also obtained a Master of Business Administration degree from the University of Cambridge, the United Kingdom in May 2000.

Mr. Ho is currently an independent non-executive director of KSL Holdings Limited (stock code: 8170), Wan Kei Group Holdings Limited (stock code: 1718) and Kwan On Holdings Limited (stock code: 8305), the issued shares of which are listed on the Stock Exchange.

Save as disclosed above, none of our Directors are related to other Directors or senior management members of our Company. Further, none of our Directors has been a director of any public company, the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no information relating to our Directors that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

Mr. KWAN Chung Shing (關仲誠先生), aged 50, is the head of site operation of our Group. Mr. Kwan joined our Group on 1 April 2006. Mr. Kwan has over 30 years of experience in the construction industry. Mr. Kwan is responsible for overseeing the site operations, as well as quality control of our projects. Prior to joining our Group, he was employed as a land surveyor at Gammon Construction Company Limited and Paul Y. Construction Company Limited from June 1983 to November 1987 and from December 1987 to December 1989, respectively, and a project manager at Chung Shun Heavy Machine from December 1989 to March 2006. He attended secondary school education in Hong Kong.

Mr. NG Kam Yu (吳錦宇先生), aged 40, is the head of project department and a project manager of our Group. Mr. Ng joined our Group on 1 January 2014. He has over 12 years of experience in the foundation works industry. Mr. Ng is responsible for managing our construction projects and sites. Prior to joining our Group, he was employed as an assistant design and construction engineer at Konwall Construction & Engineering Company Limited from February 2003 to August 2006 and a project engineer at W.M. Construction Limited from September 2006 to December 2013. Mr. Ng obtained a Bachelor of Engineering in Civil and Structural Engineering from The Hong Kong Polytechnic University in November 2002.

Ms. FONG Yeuk Lan (方若蘭女士), aged 36, is the head of the quantity surveying department and a senior quantity surveying manager of our Group. Ms. Fong joined our Group

DIRECTORS, SENIOR MANAGEMENT AND STAFF

on 1 June 2002. She has over 12 years of experience in quantity surveying. Ms. Fong is responsible for overseeing quantity surveying activities including cost control. Prior to joining our Group, she was employed as an assistant quantity surveyor at China State Construction & Engineering Corporation from September 2001 to May 2002. Ms. Fong obtained a Bachelor of Engineering in Building Engineering (Construction Engineering and Management) from the City University of Hong Kong in February 2010.

Mr. LAM Sing Hon (林昇翰先生), aged 29, is the financial controller of our Group. Mr. Lam joined our Group on 26 January 2015. Mr. Lam has over 5 years of accounting and audit experience. Mr. Lam is responsible for overseeing the financial operations of our Group, including accounting and financial reporting functions and internal control. Prior to joining our Group, Mr. Lam was employed as a senior accountant at RSM Nelson Wheeler from November 2011 to March 2014. Mr. Lam obtained a Bachelor of Business with a major in accounting from Monash University in May 2008 and became a member of the Certified Practising Accountants, Australia in September 2012.

None of our senior management members of our Company has been a director of any public company, the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Ms. SO Hau Kit (蘇巧潔女士), aged 37, was appointed as the company secretary of our Company on 12 August 2015. Ms. So is a director of Wonder World Corporate Services Limited with over 9 years of experience in company secretarial services and commercial solutions. Ms. So is an associate member of The Hong Kong Institute of Chartered Secretaries since October 2011 and also an associate member of The Institute of Chartered Secretaries and Administrators since August 2011. She obtained a degree of Master of Corporate Governance in June 2011 and a Bachelor of Business Administration in December 2008 from The Open University, Hong Kong. Ms. So is also the company secretary of King Force Security Holdings Limited (stock code: 8315), a company listed on the Growth Enterprise Market of the Stock Exchange and is principally engaged in provision of security guarding services and Yat Sing Holdings Limited (stock code: 3708), a company listed on the Main Board of the Stock Exchange and is principally engaged in building maintenance and renovation services. During the three years immediately preceding the Latest Practicable Date, Ms. So has not been a director of a public company the securities of which are listed on any securities market in Hong Kong.

COMMITTEES OF OUR BOARD

Our Board delegates certain responsibilities to various committees. In accordance with the Articles and the Listing Rules, we have formed three board committees, namely the audit committee, the nomination committee, and the remuneration committee.

Audit committee

Our Company established an audit committee in compliance with Rule 3.21 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code. Our audit committee consists of Mr. Cheung Kwok Yan Wilfred, Mr. Feng Zhidong and Mr. Ho Ho Ming. Currently, Mr. Cheung Kwok Yan Wilfred is the chairman of the audit committee.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

The principal responsibilities of the audit committee include:

- reviewing our Company's annual financial statements;
- reviewing and monitoring the extent of the non-audit work undertaken by external auditors;
- advising on the appointment of external auditors; and
- reviewing the effectiveness of our Company's internal audit activities, internal controls and risk management systems.

Nomination committee

Our Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code. Our nomination committee consists of Mr. Ip Ying Chau, Mr. Ho Ho Ming and Mr. Feng Zhidong. Currently, Mr. Ip Ying Chau is the chairman of the nomination committee.

The principal responsibilities of the nomination committee include:

- assisting our Board in discharging its responsibilities relating to the composition of our Board;
- evaluating the balance of skills, knowledge and experience on our Board;
- evaluating the size, structure and composition of our Board; and
- evaluating the retirements and appointments of additional and replacement directors and making appropriate recommendations to our Board on such matters.

Remuneration committee

Our Company established a remuneration committee in compliance with Rule 3.25 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code. Our remuneration committee consists of Mr. Feng Zhidong, Mr. Ip Ying Chau and Mr. Ho Ho Ming. Currently, Mr. Feng Zhidong is the chairman of the remuneration committee.

The principal responsibilities of the remuneration committee include:

- making recommendations to our Board on our Company's policy on executive Director's remuneration;
- determining, the individual remuneration and benefits package of each of our executive Directors; and
- recommending and monitoring the remuneration of senior management below Board level.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, save as set out below, our Company intends to comply with the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules after Listing.

Under paragraph A.2.1 of the Corporate Governance Code and Corporate Governance Report, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisation structure of our Company, Mr. Ip Ying Chau is our chairman and chief executive officer. With his extensive experience in the industry, our Board believes that vesting the roles of both chairman and chief executive officer in the same person provides our Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of our Group. Although Mr. Ip Ying Chau performs both the roles of chairman and chief executive officer, the division of responsibilities between the chairman and chief executive officer is clearly established. In general, the chairman is responsible for supervising the functions and performance of our Board, while the chief executive officer is responsible for the management of the business of our Group. The two roles are performed by Mr. Ip Ying Chau distinctly. We also consider that the current structure does not impair the balance of power and authority between our Board and the management of our Company given the appropriate delegation of the power of our Board and the effective functions of our independent non-executive Directors. However, it is the long-term objective of our Company to have these two roles performed by separate individuals when suitable candidates are identified.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of Directors fees, salaries, allowances, discretionary bonuses and other benefits as well as contributions to retirement benefit schemes. The total compensation accrued to our Directors for the years ended 31 March 2013, 2014 and 2015 was HK\$2,284,000, HK\$3,445,000 and HK\$2,747,000, respectively.

The aggregate compensation (including Directors fees, salaries, discretionary bonus, contributions to retirement benefit schemes, pension), allowances and other benefits) paid to our five highest paid individuals during the three years ended 31 March 2013, 2014 and 2015 were HK\$3,170,000, HK\$4,793,000 and HK\$4,289,000, respectively.

Under the arrangement currently in force, we estimate the total compensation to be paid or accrued to our Directors for the year ending 31 March 2016 to be HK\$3,797,000.

We did not pay to our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office for each of the years ended 31 March 2013, 2014 and 2015. Furthermore, none of our Directors waived any compensation for the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of the three financial years ended 31 March 2013, 2014 and 2015 by us or any of our subsidiaries to our Directors.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Our Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme, the purpose of which is to motivate the relevant participants to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. The principal terms of this scheme are summarised in the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

The maximum number of Shares which may be issued, upon exercise of all options that may be granted under the Share Option Scheme and any other option scheme involving the issue or grant of options over Shares or other securities by our Company or any of its subsidiaries or invested entity shall not in aggregate exceed 10% of the aggregate nominal amount of the share capital of our Company in issue as of the Listing Date; and our Board has been authorised to determine the grant of a right to subscribe for Shares under, and pursuant to the terms of the Share Option Scheme and to determine the grantees, number of options to be granted to each grantee and the terms and conditions of such grants pursuant to the terms of, the Share Option Scheme.

DIRECTORS' INTEREST

Save as disclosed in this section, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any directorship in any other listed companies in the three years immediately preceding the date of this prospectus.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as disclosed herein, there was no additional matter with respect to the appointments of our Directors that needs to be brought to the attention of the Shareholders, and there was no additional, information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

COMPLIANCE ADVISER

We have agreed to appoint TC Capital Asia Limited to be our compliance adviser upon Listing on the Stock Exchange in compliance with Rules 3A.19 of the Listing Rules. We have entered into a compliance adviser's agreement with the compliance adviser prior to the Listing Date, the material terms of which are as follows:

- the term of appointment of the compliance adviser will commence on the Listing Date of our Company and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of despatch of the annual reports of our Company in respect of our results for the financial year ending 31 March 2017), or until the agreement is terminated, whichever is earlier;
- the compliance adviser will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advice on the continuing requirements under the Listing Rules and applicable laws and regulations;
- our Company will consult with and, if necessary, seek advice from TC Capital as our compliance adviser in the following circumstances:
 - (a) before the publication of any regulator announcement, circular or financial report;
 - (b) where a transaction which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
 - (c) where our Company intends to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviates from any forecast, estimate or other information in this prospectus;
 - (d) where the Stock Exchange makes any enquiry to our Company under Rule 13.10 of the Listing Rules; and
- the compliance adviser will serve as a channel of communication with the Stock Exchange.

STAFF

Please refer to the section headed "Business – Employees, management and staff training" of this prospectus for details relating to number of staff, staff benefits, training and recruitment policy of our Group.

SHARE CAPITAL

SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, the share capital of our Company immediately following the Share Offer will be as follows:

<i>Authorised share capital</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares	<u>100,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:</i>		<i>HK\$</i>
10,000	Shares in issue at the date of this prospectus	100
	Shares to be issued pursuant to the Capitalisation Issue	20,019,900
2,001,990,000	Issue	20,019,900
<u>286,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>2,860,000</u>
<u>2,288,000,000</u>	Total	<u>22,880,000</u>

RANKING

The Offer Shares will rank *pari passu* in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 12 August 2015, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 2,001,990,000 Shares credited as fully paid at par to the holder of Shares on the register of members of our Company at the close of business on 11 August 2015 (or as they may direct) in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$20,019,900 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure of the Share Offer – Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than

SHARE CAPITAL

pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer; and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General mandate to repurchase shares” in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 12 August 2015” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed “Structure of the Share Offer – Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

SHARE CAPITAL

- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraphs headed “A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 12 August 2015” and headed “A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” set out in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in the Shares

Name	Capacity/ Nature of interest	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of Shareholding immediately following completion of the Capitalisation Issue and the Share Offer
Grand Jade	Beneficial owner <i>(Note 1)</i>	1,716,000,000	75%
Mr. Chan Wing Chung	Interest of a controlled corporation <i>(Note 1)</i>	1,716,000,000	75%
Mr. Ip Ying Chau	Interest of a controlled corporation <i>(Note 1)</i>	1,716,000,000	75%
Ms. Tung Ah Pui Athena	Interest of spouse <i>(Note 2)</i>	1,716,000,000	75%
Ms. Chan Lai Ting	Interest of spouse <i>(Note 3)</i>	1,716,000,000	75%

Notes:

1. The issued share capital of Grand Jade is owned as to 50% by Mr. Chan Wing Chung and 50% by Mr. Ip Ying Chau. Therefore, each of Mr. Chan Wing Chung and Mr. Ip Ying Chau is deemed, or taken to be, interested in all Shares held by Grand Jade for the purpose of the SFO. Each of Mr. Chan Wing Chung and Mr. Ip Ying Chau is a director of Grand Jade.
2. Ms. Tung Ah Pui Athena is the spouse of Mr. Ip Ying Chau. Accordingly, Ms. Tung Ah Pui Athena is deemed, or taken to be, interested in the Shares which Mr. Ip Ying Chau is interested in for the purpose of the SFO.
3. Ms. Chan Lai Ting is cohabiting with Mr. Chan Wing Chung as spouse. Accordingly, Ms. Chan Lai Ting is deemed, or taken to be, interested in the Shares which Mr. Chan Wing Chung is interested in for the purpose of the SFO.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

FINANCIAL INFORMATION

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

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

OVERVIEW

We are principally engaged in the provision of (i) foundation works and ancillary services; and (ii) construction wastes handling at the public fill reception facilities managed by the Government in Hong Kong.

During the Track Record Period, the foundation works provided by our Group mainly included piling works, site formation works, ELS works, construction of footings and pile caps, site formation works and ground investigation field works. We also provided ancillary services which mainly included hoarding and demolition works. Our construction wastes handling services mainly included the management and operation of public fill reception facilities, including public fill banks and temporary construction waste sorting facilities, for C&D materials. We undertook primarily construction projects in the private sector in Hong Kong and were generally engaged as a subcontractor or sub-subcontractor.

During the Track Record Period, our revenue was approximately HK\$234,752,000, HK\$238,541,000 and HK\$305,313,000 for each of the three years ended 31 March 2015, respectively. Foundation works and ancillary services contributed revenue of approximately HK\$173,739,000, HK\$170,070,000 and HK\$243,753,000, representing approximately 74.0%, 71.3% and 79.8% of our total revenue for each of the three years ended 31 March 2015, respectively; while construction wastes handling services contributed revenue of approximately HK\$61,013,000, HK\$68,471,000 and HK\$61,560,000, representing approximately 26.0%, 28.7% and 20.2% of our total revenue for each of the three years ended 31 March 2015, respectively.

BASIS OF PRESENTATION

The combined financial information includes the financial information of our Company and all our subsidiaries made up to respective year end dates during the Track Record Period.

Subsidiaries are all entities (including structured entities) over which our Group has control. Our Group controls an entity when our Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to our Group and are de-consolidated from the date that our Group's control ceases.

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Except for the Reorganisation, our Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by our Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Our Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by our Group.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in the section headed "Risk Factors" of this prospectus and those set out below.

Market demand for construction activities

We derive our revenue mainly from foundation piling services, whose demand relates to the number of property development and infrastructure projects, which may vary according to a combination of factors including the amount of Government spending, investment prospects of Hong Kong, the demand of housing and infrastructure, supply of land, population growth, etc. Our revenue was affected by the number and size of foundation piling projects we undertook during the Track Record Period. The construction industry in Hong Kong has benefited from the Government's efforts to supply land for residential buildings and the ongoing Ten Major Infrastructure Projects.

Our Group also engaged in the handling of construction wastes and apart from the fees we charge for the operation of the public fill reception facilities, a significant portion of our fee is derived from the quantities of construction waste handled by us. In line with the flourishing construction industry in Hong Kong in recent years, the amount of construction wastes disposed of in Hong Kong increased yearly between 2010 and 2014, according to the Ipsos Report.

The increase or decrease in the demand for construction activities would therefore affect the demand of our services. There is no assurance that the number of construction projects

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will not decrease in the future and any reduction in the number of construction projects in Hong Kong would adversely and materially affect our business in general and our results of operation.

Cost control and management

Costs of construction materials and supplies, staff costs and subcontracting charges are the main components of our cost of sales. During the Track Record Period, these three items in aggregate amounted to approximately HK\$153,275,000, HK\$152,184,000 and HK\$181,290,000, respectively for each of the three years ended 31 March 2015, representing 76.7%, 74.8% and 74.6% of our cost of sales. Although we determine our project price based on a cost-plus method with reference to the time and costs estimated to be involved in a project, the actual time and costs involved in completing our foundation projects may be adversely affected by a number of uncontrollable factors, including shortage and cost escalation in materials and labour, unexpected difficult geological conditions, adverse weather conditions and changes in rules, regulation and Government's policy. Since most of our construction contracts are lump sum contracts and in the event that the cost of sales increases unexpectedly or exceeds our original estimate, we normally cannot recover any cost overrun from our customers, and hence our financial performance and profitability will be adversely affected.

Collectability and timing of collection of our trade debtors and retention receivables

We normally receive progress payment from our customers on a monthly basis with reference to the value of works done, and a portion of such payment, normally 10% and subject to a ceiling, is usually withheld by our customers as retention money and will only be remitted to us after the defects liability period. Accordingly, there can be no assurance that the retention money or any future retention money will be remitted by our customers to us on a timely basis and in full. Any late payment, whether arising from payment practice of our customers or delay in completion of the construction project, may adversely affect our future liquidity position.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Our combined financial information has been prepared in accordance with HKFRSs. We have identified certain accounting policies that are critical to the preparation of our financial information. These accounting policies are important for an understanding of our financial position and results of operations and are set forth in Note 2 of Section II of the Accountants' Report in Appendix I to this prospectus.

In addition, the preparation of the financial information requires our management to make significant and subjective estimates, assumptions and judgments that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the year ended March 2013, 2014 and 2015. However, uncertainties about these assumptions, estimates and judgments could result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities affect in the future. These key assumptions and estimates are set forth in Note 4 of Section II of the Accountants' Report in Appendix I to this prospectus.

We believe the following critical accounting policies and accounting estimates involve the most significant or subjective judgments and estimates used in the preparation of the financial information.

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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) *Foundation works and ancillary services income*

Revenue from construction contracts is recognised based on the stage of completion of the contracts as detailed in construction contracts below.

(b) *Construction wastes handling services income*

Revenue from provision of construction wastes handling services are recognised on completion of the related services rendered to the customer.

(c) *Interest income*

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

(d) *Rental income*

Rental income from lease of machinery is recognised based on the straight-line basis over the lease terms.

Construction contracts

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 by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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.

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

Our Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to be recognised in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value which is based on the progress certificates issued by our customers. For projects which have been completed and final payment application has been made by us but not yet been certified by our customers as at the year end date, we recognised revenue by reference to the amount of completed works confirmed by our in-house quantity surveyor, which our Directors confirm is in line with industry practice.

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On the combined statements of financial position, our Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

Property, plant and equipment

The property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. 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 period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or lease term, where applicable, as follows:

Leasehold improvement	Over lease term
Furniture, fixtures and office equipment	20%
Machinery and equipment	20%
Motor vehicles	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 disposals are determined by comparing the proceeds with the carrying amount and are recognised in the combined statement of profit or loss and other comprehensive income.

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

RESULTS OF OPERATIONS OF OUR GROUP

The following table sets out the combined results of our Group for each of the year ended 31 March 2013, 2014 and 2015, which are derived from, and should be read in conjunction with, the combined financial information set out in the Accountants' Report in Appendix I to this prospectus.

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COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	234,752	238,541	305,313
Cost of sales	<u>(199,873)</u>	<u>(203,346)</u>	<u>(242,982)</u>
Gross profit	34,879	35,195	62,331
Other income and net gains	907	731	6,245
Administrative and other operating expenses	<u>(10,465)</u>	<u>(9,552)</u>	<u>(17,722)</u>
Operating profit	25,321	26,374	50,854
Finance costs	<u>(1,064)</u>	<u>(1,201)</u>	<u>(1,361)</u>
Profit before income tax	24,257	25,173	49,493
Income tax expense	<u>(4,004)</u>	<u>(4,114)</u>	<u>(7,872)</u>
Profit and total comprehensive income for the year	<u><u>20,253</u></u>	<u><u>21,059</u></u>	<u><u>41,621</u></u>
Profit and total comprehensive income attributable to:			
Owners of our Company	19,421	19,348	38,499
Non-controlling interests	<u>832</u>	<u>1,711</u>	<u>3,122</u>
Profit and total comprehensive income for the year	<u><u>20,253</u></u>	<u><u>21,059</u></u>	<u><u>41,621</u></u>

DESCRIPTION OF SELECTED COMPONENTS OF OUR INCOME STATEMENTS

Revenue

Our revenue was principally generated from the foundation works, provision of other ancillary engineering services and the fees received from the construction wastes handling projects.

During the Track Record Period, we were involved in a total of 52 projects, of which 41 projects were completed and 11 projects were still ongoing as at 31 March 2015; and of which 10 projects were related to foundation works and ancillary services and 1 project was related to construction wastes handling. Revenue from foundation works and ancillary services represented 74.0%, 71.3% and 79.8%, respectively of our total revenue, while revenue from our construction wastes handling works represented 26.0%, 28.7% and 20.2% of our total revenue for each of the year ended 31 March 2013, 2014 and 2015, respectively. Included in our revenue also income from rental of our machinery to third parties. For the three years

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ended 31 March 2015, rental income amounted to approximately HK\$1,841,000, HK\$281,000 and HK\$2,308,000, respectively. Rental income is classified into foundation works and ancillary services segment.

	Year ended 31 March		
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue			
Foundation works and ancillary services	173,739	170,070	243,753
Construction wastes handling	61,013	68,471	61,560
	234,752	238,541	305,313

Revenue from foundation works and ancillary engineering services

The following table sets out our turnover during the Track Record Period and the percentage of completion measured by revenue recognised as a percentage of total contract sum as at 31 March 2015:

No.	Project	Revenue for the year ended 31 March			Total revenue recognised during the Track Record Period <i>HK\$'000</i>	Completion % <i>(Note 1)</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		
1.	Preboring works at Central and Western District	–	–	129	129	100
2.	Pipe pile works at Central and Western district	–	–	245	245	100
3.	Pumping well and observation wells works at Kwai Tsing district	–	–	147	147	100
4.	Site formation, ELS works at Kwai Tsing district	–	–	14,829	14,829	90
5.	Removal & disposal of existing filled materials at Tai Po district	–	–	11,230	11,230	86
6.	Foundation works at Wan Chai district	–	2,358	5,957	8,315	77

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No.	Project	Revenue for the year ended 31 March			Total revenue recognised during the Track Record Period HK\$'000	Completion % (Note 1)
		2013 HK\$'000	2014 HK\$'000	2015 HK\$'000		
7.	Foundation and site formation works at Sha Tin district	–	–	33,070	33,070	86
8.	Foundation, ELS & pile cap works at Eastern district	–	–	14,398	14,398	66
9.	Foundation, ELS & pile cap works at Southern district	–	–	17,795	17,795	45
10.	Earthwork at Yau Tsim Mong district	15,941	31,320	35,877	83,138	85
11.	ELS and piling works at Yau Tsim Mong district	–	–	8,710	8,710	55
12.	Site formation and foundation works at Eastern district	–	–	6,103	6,103	32
13.	Renovation works at Southern district	1,508	–	–	1,508	100
14.	Foundation, ELS and pile cap works at Yau Tsim Mong district	2,268	–	–	2,268	100
15.	ELS and pile cap works at Central and Western district	222	–	–	222	100
16.	Piling works at Central and Western district	420	–	–	420	100
17.	Hoarding and demolition works at Shum Shui Po district	1,858	–	120	1,978	100
18.	Site formation works at Island district	30,945	–	–	30,945	100
19.	Site formation, ELS and foundation (spread footings/raft) works at Kwai Tsing district	22,255	–	–	22,255	100

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No.	Project	Revenue for the year ended 31 March			Total revenue recognised during the Track Record Period HK\$'000	Completion % (Note 1)
		2013 HK\$'000	2014 HK\$'000	2015 HK\$'000		
20.	ELS and pile cap works at Yau Tsim Mong district	6,607	–	–	6,607	100
21.	Hoarding, ELS and pile cap works at Yau Tsim Mong district	4,436	–	–	4,436	100
22.	Public road & drainage works at Yuen Long district	3,580	–	–	3,580	100
23.	Loading barge construction at Hong Kong – Zhuhai – Macao Bridge – Hong Kong Link	3,404	2,201	–	5,605	100
24.	Loading barge construction at Hong Kong – Zhuhai – Macao Bridge – Hong Kong Link	4,213	–	–	4,213	100
25.	Site formation and pile cap works at Tsuen Wan district	6,646	881	–	7,527	100
26.	Hoarding and demolition works at Eastern district	1,258	242	–	1,500	100
27.	Hoarding and demolition works at Central and Western district	3,750	580	–	4,330	100
28.	Foundation works at Kowloon City district	8,293	8,247	–	16,540	100
29.	Hoarding demolition and ELS works	–	3,479	–	3,479	100
30.	Foundation works at Southern district	–	3,267	–	3,267	100
31.	ELS and pile cap works at Wan Chai district	721	6,102	–	6,823	100

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No.	Project	Revenue for the year ended 31 March			Total revenue recognised during the Track Record Period HK\$'000	Completion % (Note 1)
		2013 HK\$'000	2014 HK\$'000	2015 HK\$'000		
32.	Site formation, ELS and pile cap works at Tuen Mun district	3,016	–	–	3,016	100
33.	Foundation works at Yuen Long district	1,163	–	–	1,163	100
34.	ELS works at Tuen Mun district	–	3,824	–	3,824	100
35.	Foundation, ELS and pile cap works at Eastern district	27,740	8,188	–	35,928	100
36.	Site formation works at Kowloon City district	3,410	4,879	–	8,289	100
37.	ELS and pile cap works at Island district	–	10,401	–	10,401	100
38.	Pile cap & ELS works at Shum Shui Po district	–	14,030	–	14,030	100
39.	Structure works at Yau Tsim Mong district	1,056	12,786	16,303	30,145	77
40.	Desilting works at Tai Po district	–	966	–	966	100
41.	Site formation and foundation & trench works at Southern district	9,081	3,637	–	12,718	100
42.	Foundation works at the Eastern district	917	8,543	–	9,460	100
43.	Installation of stone column at the Hong Kong – Zhuhai – Macao Bridge – Hong Kong Link	3,017	17,203	–	20,220	100
44.	Demolition & ground investigation works at Kwai Tsing district	–	3,225	151	3,376	100

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No.	Project	Revenue for the year ended 31 March			Total revenue recognised during the Track Record Period HK\$'000	Completion % (Note 1)
		2013 HK\$'000	2014 HK\$'000	2015 HK\$'000		
45.	Site formation and foundation works at Sai Kung district	–	16,927	9,018	25,945	100
46.	Demolition and foundation works at Southern district	–	1,689	2,394	4,083	100
47.	Pipe pile works at Sai Kung district	–	–	4,184	4,184	100
48.	ELS, foundation and slope strengthening works at Southern district	–	4,023	12,465	16,488	100
49.	Foundation works at Kwai Tsing district	–	791	48,320	49,111	100
50.	Foundation, ELS and pile caps works at Yan Tsim Wong district	4,173	–	–	4,173	100

Note:

- The percentage of work completed is based on revenue recognised divided by total contract sum (including value of any variation orders or additional works).

Revenue from the construction wastes handling

No.	Project	For the year ended 31 March			Total revenue recognised during the Track Record Period HK\$'000
		2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	
1.	Tseung Kwan O Area 137 Public Fill Bank and Chai Wan Public Fill Bank Barging Point	61,013	57,479	–	118,492
2.	Operation and maintenance of two construction waste sorting facilities in Tseung Kwan O Area 137 and Tuen Mun Area 38	–	10,992	61,560	72,552

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Cost of sales

Our Group's cost of sales primarily consisted of construction materials and supplies, direct staff costs, subcontracting charges, an appropriate portion of variable and fixed construction overheads, which included depreciation and miscellaneous direct costs. The following table sets out the breakdown of our Group's cost of sales during the Track Record Period:

	Year ended 31 March		
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Costs of construction materials and supplies	46,990	45,317	52,075
Staff costs	50,554	62,188	61,051
Consultancy fee	3,500	4,021	3,523
Parts and consumables	7,092	4,284	6,313
Subcontracting charges	55,731	44,679	68,164
Transportation	4,902	5,324	10,070
Depreciation of owned assets	8,666	7,013	7,798
Depreciation of leased assets	3,776	5,570	5,556
Repair and maintenance	5,950	6,304	5,851
Machine rental	3,598	9,009	7,751
Survey fee	1,103	1,279	2,164
Site management fee	3,788	4,604	8,187
Insurance	382	958	1,172
Waste handling charges	2,691	1,265	2,032
Other expenses	1,150	1,531	1,275
	<u>199,873</u>	<u>203,346</u>	<u>242,982</u>

Construction materials and supplies

Construction materials and supplies expenses mainly represent the expenses for the purchase of construction materials. For our foundation works and ancillary services, we mainly purchase construction materials and supplies such as concrete, steel reinforcement bars, structural steel and diesel fuel and these costs are directly charged to our construction project works. While our construction wastes handling services normally would not require the purchase of construction materials, but due to variation orders instructed by our customers, construction materials and supplies were purchased for certain construction orders. For each of the year ended 31 March 2013, 2014 and 2015, cost of construction materials and supplies amounted to approximately HK\$46,990,000, HK\$45,317,000 and HK\$52,075,000, representing 23.5%, 22.3% and 21.4% of our total cost of sales, respectively.

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Staff costs

Staff costs represent the labour costs incurred for the provision of our works. Staff costs amounted to approximately HK\$50,554,000, HK\$62,188,000 and HK\$61,051,000, representing 25.3%, 30.6% and 25.1% of our total cost of sales for each of the year ended 31 March 2013, 2014 and 2015, respectively.

Subcontracting charges

Subcontracting charges represent charges and fees paid to our subcontractors and service providers which provide labour, materials and services necessary for the completion of the projects undertaken by us. Subcontracting charges amounted to approximately HK\$55,731,000, HK\$44,679,000 and HK\$68,164,000, representing 27.9%, 22.0% and 28.1% of our total cost of sales for the year ended 31 March 2013, 2014 and 2015, respectively.

Depreciation

Depreciation expenses mainly represent the depreciation of the equipment and machinery and motor vehicles for carrying out the construction works and construction wastes handling. Depreciation expenses are calculated using straight-line method and at 20% of the cost of assets which are self-owned or over the lease term (but not more than 5 years) for assets which were purchased under finance lease arrangement. Depreciation expenses amounted to approximately HK\$12,442,000, HK\$12,583,000 and HK\$13,354,000, representing 6.2%, 6.2% and 5.5% of our total cost of sales for the year ended 31 March 2013, 2014 and 2015, respectively.

Repair and maintenance

The repair and maintenance primarily represented the cost of repair and maintenance service for our plant and machinery, motor vehicles and the facilities that we operate at the public fill reception facilities under our construction wastes handling projects. For each of the three years ended 31 March 2015, we incurred repair and maintenance costs of approximately HK\$5,950,000, HK\$6,304,000 and HK\$5,851,000, respectively.

Others

Others include other less significant and miscellaneous direct costs of sales incurred for our provision of services, which mainly included transportation cost of machinery and equipment, machine rental, site management fee, waste handling charges for dumping of construction wastes, consultancy fee for our design and build projects and parts and consumables which were purchased for replacement of wearable parts of our plants and equipment.

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Sensitivity analysis

The following sensitivity analysis illustrates the impact of hypothetical changes, based on historical fluctuations during the Track Record Period, in costs of steel and concrete, diesel fuel, staff costs and subcontracting charges under cost of sales for the respective periods during the Track Record Period:

Price of steel

% change in price of steel	Corresponding change in cost of sales for the year ended 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
+10%	1,329	1,480	2,429
+5%	665	740	1,215
+2%	266	296	486
-2%	(266)	(296)	(486)
-5%	(665)	(740)	(1,215)
-10%	(1,329)	(1,480)	(2,429)

Price of concrete

% change in price of concrete	Corresponding change in cost of sales for the year ended 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
+10%	1,012	508	1,056
+5%	506	254	528
+2%	202	102	211
-2%	(202)	(102)	(211)
-5%	(506)	(254)	(528)
-10%	(1,012)	(508)	(1,056)

Staff costs

% change in staff costs	Corresponding change in cost of sales for the year ended 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
+10%	5,055	6,219	6,105
+5%	2,528	3,109	3,053
+2%	1,011	1,244	1,221
-2%	(1,011)	(1,244)	(1,221)
-5%	(2,528)	(3,109)	(3,053)
-10%	(5,055)	(6,219)	(6,105)

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Price of diesel fuel

% change in price of diesel fuel	Corresponding change in cost of sales for the year ended 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
+10%	2,144	2,177	1,636
+5%	1,072	1,088	818
+2%	429	435	327
-2%	(429)	(435)	(327)
-5%	(1,072)	(1,088)	(818)
-10%	(2,144)	(2,177)	(1,636)

Subcontracting charges

% change in subcontracting charges	Corresponding change in cost of sales for the year ended 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
+10%	5,573	4,468	6,816
+5%	2,787	2,234	3,408
+2%	1,115	894	1,363
-2%	(1,115)	(894)	(1,363)
-5%	(2,787)	(2,234)	(3,408)
-10%	(5,573)	(4,468)	(6,816)

Administrative and other operating expenses

Our administrative and other operating expenses consist primarily of legal and professional fee, salaries and allowances, staff costs and directors' remuneration, entertainment, depreciation and other administrative expenses. The following table sets out administrative expenses by nature during the Track Record Period:

	For the year ended 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration	107	204	300
Depreciation of owned assets	1,469	1,751	1,229
Entertainment	1,921	1,480	850
Insurance	194	302	298
Listing expenses	–	–	3,822
Operating lease rental on premises	190	202	1,139
Staff costs, including directors' emoluments	4,587	4,835	7,556
Other expenses	1,087	778	2,241
Impairment on trade receivables	910	–	287
	<u>10,465</u>	<u>9,552</u>	<u>17,722</u>

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Income tax

Income tax expenses primarily consist of provision for current income tax expenses incurred in Hong Kong. During the Track Record Period, all of our Group's revenue was derived in Hong Kong and our Group was subject to profits tax in Hong Kong. During the three years ended 31 March 2015, the effective tax rate of our Group was approximately 16.5%, 16.3% and 15.9%, respectively.

Our Company and its subsidiaries are incorporated in different jurisdictions, with different taxation requirements illustrated below:

The Cayman Islands and the BVI

Pursuant to the applicable laws, rules and regulations of the Cayman Islands and the BVI, our Group is not subject to any profits tax in the Cayman Islands and the BVI.

Hong Kong

All our Company's Hong Kong incorporated subsidiaries were subject to Hong Kong profits tax rate at 16.5% during the Track Record Period.

Our Directors confirm that they were not aware of any disputes/unresolved tax issues with any tax authorities as at the Latest Practicable Date.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2015 compared with year ended 31 March 2014

Turnover

Our Group's turnover increased by approximately HK\$66,772,000, or 28.0%, from approximately HK\$238,541,000 for the year ended 31 March 2014 to HK\$305,313,000 for 2015. During the period, revenue from foundation works and ancillary services contributed most of the growth in our overall revenue, amounted to approximately HK\$243,753,000 and represented a year-on-year growth of 43.3%. During the year ended 31 March 2015, for our foundation works, we completed 9 projects and commenced 11 new projects. Despite the increase in revenue, the reduced number of projects is a result of our strategy to bid for larger scale of projects so as to concentrate our resources, especially our plant and equipment. In our foundation works and ancillary services segment, number of projects which contributed revenue over HK\$10 million was 8 for the year ended 31 March 2015 as compared to 6 for the year ended 31 March 2014; and the number of projects which contributed revenue over HK\$30 million was 1 and 3 for the years ended 31 March 2014 and 2015, respectively.

In respect of the construction wastes handling, revenue decreased from approximately HK\$68,471,000 for the year ended 31 March 2014 to approximately HK\$61,560,000 for the year ended 31 March 2015 as the fill bank project was completed during the financial year 2014 and no longer contributed revenue since then.

Cost of sales

Cost of sales over the year ended 31 March 2014 increased by approximately HK\$39,636,000, or 19.5%, to approximately HK\$242,982,000 from approximately

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HK\$203,346,000 in the preceding year. Cost of sales increased along with our revenue as our construction activities surged. In particular, cost of construction materials and supplies and subcontracting charges increased by 14.9% and 52.6%, respectively.

Gross profit and gross profit margin

Our Group's total gross profit increased by approximately HK\$27,136,000, or 77.1%, from approximately HK\$35,195,000 for the year ended 31 March 2014 to approximately HK\$62,331,000 for the year ended 31 March 2015. Gross profit margin improved from 14.8% for the year ended 31 March 2014 to 20.4% for 2015.

Our Group's improvement in gross profit margin is attributable to the following reasons: (i) the foundation works and ancillary services projects generally yielded higher gross profit margin than the construction wastes handling projects, as revenue from foundation works and ancillary services increased whereas revenue from construction wastes handling decreased, the resulting gross profit margin was pulled up; (ii) certain of our projects, which are design-and-build foundation and ancillary services projects, brought satisfactory outcome. These design-and-build projects included projects located in North Point, Kwai Chung and Causeway Bay and involved our inputs in two stages – (1) the design stage – which we provided design of pilings, including the choice of types of piles, pile layouts, construction methodology as well as their necessary calculations and drawings; and (2) the build stage – which we construct of the structures we designed in stage (1), we consider that we spent adequate resources in the design stage to make our proposals in our tenders attractive. To this end, our Directors consider that attractive design complies with loading requirements, fits well with site limitations and yet achieves economically efficient which in turn improves our margin, thus, our design team makes scheme design which we consider most cost effective piling schemes for our new foundation tenders, which would include the choice of types of piles and ELS design, while we also subcontract detailed calculations and engineering drawings to follow our scheme design to external parties to maintain our lean team structure; and (iii) our Group strategically reduced its involvement in demolition works, which during the Track Record Period were mostly loss making or yielded only meagre gross margin and contributed approximately HK\$9,215,000 and HK\$2,665,000 for the year ended 31 March 2014 and 2015, respectively.

Other income and net gains

Other income and net gains represented interest income, gain or loss on the disposal of plant and equipment, Government grants and others. For the year ended 31 March 2015, other income and net gains, amounted to approximately HK\$6,245,000, mainly consisted of Government grant, amounted to approximately HK\$5,717,000. The Government grant recognised during the year was mainly related to the ex-gratia payment obtained for scrapped vehicles under the Government's incentive-cum-regulatory approach to phasing out pre-Euro IV diesel commercial vehicles. The Government grant obtained by our Group had no unfulfilled conditions or contingencies.

Administrative and other operating expenses

Our Group's administrative and other operating expenses increased by approximately HK\$8,170,000, or 85.5%, to approximately HK\$17,722,000 for the year ended 31 March 2015 from approximately HK\$9,552,000 for the year ended 31 March 2014. Our staff costs were there most significant part of our administrative and other operating expenses which had

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increased by 56.3%, from approximately HK\$4,835,000 to HK\$7,556,000, to cope with our Group's expansion and enhance our overall management. The relocation of our head office to the current address also added cost in operating lease rental on premises, which increased from approximately HK\$202,000 for the year ended 31 March 2014 to approximately HK\$1,139,000 for the year ended 31 March 2015. In addition, our Group firstly incurred HK\$3,822,000 for the year ended 31 March 2015 for preparation of the Listing, mainly for the engagement of professional parties. The decrease in entertainment expenses, depreciation of self-owned assets and insurance partly offset the increase in the above costs.

Finance costs

Finance costs increased from approximately HK\$1,201,000 for the year ended 31 March 2014 to approximately HK\$1,361,000 for the year ended 31 March 2015. The increase is mainly attributable to the interest on finance leases for our purchase of grab lorries, air compressors, hydraulic breakers and excavators, while partly offset by the decrease in interest on bank overdrafts and bank borrowings.

Income tax

The effective tax rates for the two years ended 31 March 2014 and 2015 were approximately 16.3% and 15.9%, respectively, which were slightly less than the statutory tax rate of 16.5%. For the year ended 31 March 2014, Government grant was not assessable profit while for the year ended 31 March 2015, although Listing expenses were non-deductible, the even greater amount of Government grant together with the gain on disposal of plant and equipment were not tax assessable.

For the year ended 31 March 2014, our Group's current tax amounted to approximately HK\$2,937,000, while income tax paid by our Group during the year ended 31 March 2015 was approximately HK\$673,000. The difference between current tax and income tax paid is mainly due to the fact that Chung Shun and Bright Access had not yet received tax assessments from the Inland Revenue Department for the year of assessment 2013/2014. Chung Shun had tax losses brought forward, which offset its assessable profits, and Bright Access did not earn assessable profits in the prior financial year and hence both fell within the circumstances of not being required by the Inland Revenue Department to submit annual profits tax returns. Each of Chung Shun and Bright Access has then notified to the Inland Revenue Department it recommenced to earn assessable profit. Progressive Foundation and Win Target paid the requisite tax in accordance with their respective tax assessments. Our Directors confirm that our Group has not had any tax dispute with the Inland Revenue Department as at the Latest Practicable Date.

Profit for the year and net profit margin

As a result of the foregoing, our Group's profit for the year ended 31 March 2015 was approximately HK\$41,621,000, representing a year-on-year growth of 97.6%. Our net profit margin increased to 13.6% for the year ended 31 March 2015 as compared to 8.8% for the preceding year. The improvement in net margin is mainly attributable to (i) our substantial increase of foundation and ancillary services projects which yielded higher profit margin than construction wastes handling project; and (ii) the increase of other income and net gains.

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Year ended 31 March 2014 compared with year ended 31 March 2013

Turnover

Our Group's turnover increased by approximately HK\$3,789,000, or 1.6%, from approximately HK\$234,752,000 for the year ended 31 March 2013 to HK\$238,541,000 for 2014. During the period, revenue from foundation works and ancillary services and the construction wastes handling services increased slightly. For our foundation works, we completed 17 projects and commenced 12 new projects. Accordingly, revenue for this segment decreased by 2.1%. On the other hand, for our construction waste handling works, although the fill banking project at Tseung Kwan O Area 137 Public Fill and Chai Wan Public Fill Bank Barging Point project was completed in around January 2014, another project for the operation and maintenance of construction waste sorting facilities in Tseung Kwan O Area 137 and Tuen Mun Area 38 was commenced in around December 2013 and started to contribute revenue to our Group for the year ended 31 March 2014. Accordingly, revenue for the construction wastes handling segment increased by 12.2%.

Cost of sales

Cost of sales over the year ended 31 March 2014 increased by approximately HK\$3,473,000, or 1.7%, to approximately HK\$203,346,000 from approximately HK\$199,873,000 in the preceding year. While the magnitude of increase in the cost of sales in largely in line with the turnover growth rate, staff costs increased by 23.0% whereas subcontracting charges dropped by 19.8% for the year ended 31 March 2014.

It is our Group's practice to subcontract certain parts of our project works to other subcontracts in Hong Kong, depending on our capacity, resources level, types of construction works, cost effectiveness and complexity of the project. For details, please refer to the section headed "Business – Subcontracting arrangements" of this prospectus. For the year ended 31 March 2014, our Directors considered that it was more appropriate for our Group to undertake a larger proportion of construction activities and subcontracted less jobs to subcontractors. Our Group was required to retain more staff in order to carry out the works, resulting in the rise in staff costs and the drop in subcontracting charges.

Gross profit and gross profit margin

Our Group's total gross profit increased by approximately HK\$316,000, or 0.9%, from approximately HK\$34,879,000 for the year ended 31 March 2013 to approximately HK\$35,195,000 for the year ended 31 March 2014. Gross profit margin decreased slightly from 14.9% for the year ended 31 March 2013 to 14.8% for 2014.

Our Directors consider that our resulting gross profit margin is a combination of our pricing of the project and cost control. For foundation and ancillary services, gross profit margin is generally expected to be higher as the risks associated with such works are normally higher taking into account the unforeseen and uncontrollable factors such as weather and underground conditions. On the other hand, income from construction wastes handling was relatively stable and hence the gross profit margin from construction wastes handling was also expected to be lower.

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Other income and net gains

Other income and net gains represented interest income, gain or loss on the disposal of plant and equipment, Government grants and others. For the year ended 31 March 2013, other income and net gains mainly consisted of the net gains from the disposal of plant and equipment, amounted to approximately HK\$725,000. Disposal of plant and equipment is our Group's normal practice to replace older equipment with new ones.

For the year ended 31 March 2014, disposal of plant and equipment resulted in net loss of approximately HK\$274,000. The Government grant obtained during the year was related to the incentive scheme for replacing Euro II diesel commercial vehicles by new commercial vehicles. Government grant amounted to approximately HK\$56,000 was recorded which had no unfulfilled conditions or contingencies.

Administrative and other operating expenses

Our Group's administrative and other operating expenses decreased by approximately HK\$913,000, or 8.7%, to approximately HK\$9,552,000 for the year ended 31 March 2014 from approximately HK\$10,465,000 for the year ended 31 March 2013. Our staff costs were the most significant part of our administrative and other operating expenses which had increased by 5.4%, from approximately HK\$4,587,000 to HK\$4,835,000. The decrease in entertainment expenses and other expenses helped almost offset the increases in staff costs, auditors' remuneration and insurance costs. Further, there was an impairment of trade receivables amounted to approximately HK\$910,000 made during the year ended 31 March 2013. No trade receivables were impaired for the year ended 31 March 2014.

Finance costs

Finance costs increased from approximately HK\$1,064,000 for the year ended 31 March 2013 to approximately HK\$1,201,000 for the year ended 31 March 2014. The increase is mainly attributable to the interest on finance leases for our purchase of small piling rigs, air compressors, excavators and hydraulic breakers, while was partly offset by the decrease in interest on bank overdrafts and bank borrowings.

Income tax

The effective tax rates for the two years ended 31 March 2013 and 2014 were approximately 16.5% and 16.3%, respectively, which were approximately same as the statutory tax rate of 16.5%.

For the year ended 31 March 2013, our Group's current tax amounted to approximately HK\$2,859,000, while no income tax was paid by our Group during the year ended 31 March 2014. The difference between current tax and income tax paid is mainly due to the fact that Bright Access had not yet received tax assessments from the Inland Revenue Department for the year of assessment 2012/2013 by the year ended 31 March 2014. According to the loss computation issued to Chung Shun by the Inland Revenue Department, there were no profits chargeable to Profits Tax for the year of assessment 2012/2013. As Progressive Foundation and Win Target were incorporated in May 2012 and December 2012, respectively, each of them had not been required to pay income tax during the year ended 31 March 2014.

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Profit for the year and net profit margin

As a result of the foregoing, our Group's profit for the year ended 31 March 2014 was approximately HK\$21,059,000, representing a year-on-year growth of 4.0%. Our net profit margin increased slightly to 8.8% for the year ended 31 March 2014 as compared to 8.6% for the preceding year. The improvement mainly came from the reduction of administrative and other expenses, as the impairment of trade receivables in 2013 was not recurred in 2014.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

We have historically met our working capital needs primarily through operating cash flows. Our primary uses of cash are for funding the operation of our construction projects and our general corporate working capital use. Upon completion of the Share Offer, we expect our sources of funds will be a combination of operating cash flows and net proceeds from the Share Offer. As at the Latest Practicable Date, we had not experienced any liquidity problems in settling our payables in the normal course of business.

Cash flows

The following table sets forth our Group's cash flows for the periods indicated:

	For the year ended 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash flow before working capital changes	<u>39,239</u>	<u>40,890</u>	<u>65,454</u>
Net cash generated from operating activities	22,879	17,388	50,427
Net cash generated used in investing activities	(18,648)	(6,026)	(15,852)
Net cash generated used in financing activities	<u>(3,072)</u>	<u>(16,327)</u>	<u>(17,099)</u>
Net increase/(decrease) in cash and cash equivalents	1,159	(4,965)	17,476
Cash and cash equivalents at beginning of the year	<u>4,486</u>	<u>5,645</u>	<u>680</u>
Cash and cash equivalents at the end of the year	<u>5,645</u>	<u>680</u>	<u>18,156</u>

Cash flows generated from operating activities

Net cash generated from operating activities consisted primarily of our Group's revenues from construction projects or construction wastes handling projects undertaken by us. Our Group derives its cash inflow from operating activities mainly from the receipts of payments from customers and the sources of cash outflow from operations primarily include payrolls, payment to subcontractors and suppliers.

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Our cash from operating activities reflects profit before tax for the year, mainly adjusted for depreciation, gain or loss on disposal of property, plant and equipment and interest expense.

During the year ended 31 March 2015, our cash generated from operations consisted of operating profit of approximately HK\$65,454,000 before working capital changes. Working capital changes primarily included (i) increase in trade and other receivables of approximately HK\$22,103,000 as our revenue increased by approximately HK\$66,772,000 due to the rising construction activities undertaken by us; (ii) increase in trade and other payables of approximately HK\$14,587,000 due to the same reason as in (i); and (iii) increase in amounts due from directors of approximately HK\$6,140,000, which were unsecured, interest-free and repayable on demand.

During the year ended 31 March 2014, our cash generated from operations consisted of operating profit of approximately HK\$40,890,000 before working capital changes. Working capital changes primarily included (i) increase in trade and other receivables of approximately HK\$18,143,000 as our revenue increased by approximately HK\$3,789,000 and some of the construction progressed towards the end of the financial year, accumulating larger amount of trade receivables as at the year end date; (ii) decrease in trade and other payables of approximately HK\$2,798,000, this is in line with our decreasing amount of works subcontracted out as our Group took up larger amount of construction works ourselves by deploying own resources, which can be seen by the increased staff costs in our cost of sales; and (iii) increase in amounts due from directors of approximately HK\$2,750,000, which were unsecured, interest-free and repayable on demand.

During the year ended 31 March 2013, our cash generated from operations consisted of operating profit of approximately HK\$39,329,000 before working capital changes. Working capital changes primarily included (i) increase in trade and other receivables of approximately HK\$21,606,000 mainly for our increased construction activities carried out by Progressive Foundation, which was incorporated during the financial year; (ii) increase in trade and other payables of approximately HK\$4,967,000 in line with our increased construction activities; (iii) increase in gross amounts due to customers for contract works because of the commencement of some foundation projects which we incurred costs but not yet issued progress billings; and (iv) increase in amounts due from directors of approximately HK\$1,098,000, which were unsecured, interest-free and repayable on demand.

Cash flows used in investing activities

Our cash outflow for investing activities was primarily utilised to purchase property, plant and equipment, which was to a small extent offset by their disposals.

During the year ended 31 March 2015, we recorded net cash used in investing activities of approximately HK\$15,852,000, which was mainly the purchases of property, plant and equipment of approximately HK\$20,587,000 and partly offset by the proceeds from disposal of property, plant and equipment of approximately HK\$4,734,000.

During the year ended 31 March 2014, we recorded net cash used in investing activities of approximately HK\$6,026,000, which was mainly the purchases of property, plant and equipment of approximately HK\$8,415,000 and partly offset by the proceeds from disposal of property, plant and equipment of approximately HK\$2,385,000.

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During the year ended 31 March 2013, we recorded net cash used in investing activities of approximately HK\$18,648,000, which was mainly the purchases of property, plant and equipment of approximately HK\$19,909,000 and partly offset by the proceeds from disposal of property, plant and equipment of approximately HK\$1,260,000.

Cash flows used in financing activities

Our cash inflow from financing activities was primarily from drawdown of bank borrowings and inception of finance leases and repayment from directors; while our cash outflow for financing activities primarily consisted of the repayment of bank borrowings and finance leases and the payments of interests accrued thereon, decrease in amounts due to directors, payment of dividend to non-controlling interest, and acquisition of non-controlling interests in our subsidiary.

During the year ended 31 March 2015, our net cash used in financing activities amounted to approximately HK\$17,099,000. Cash outflows for financing activities mainly included (i) repayment of finance leases of approximately HK\$10,673,000; (ii) acquisition of the non-controlling interest (30% shareholding which was not yet owned by our Group) of Win Target for HK\$1,960,000; (iii) repayment of bank borrowings in the amount of approximately HK\$1,181,000; (iv) payments of interest on finance leases and bank borrowings of approximately HK\$920,000 and HK\$94,000, respectively; (v) amount due to a director decreased by approximately HK\$1,881,000; and (vi) dividend paid to the non-controlling interest's owner in the amount of approximately HK\$390,000.

During the year ended 31 March 2014, our net cash used in financing activities amounted to approximately HK\$16,327,000. Cash inflow for financing activities was due to the drawdowns of bank borrowing and inception of finance leases for approximately HK\$6,000,000 and HK\$3,115,000, respectively. Cash outflows for financing activities were mainly due to (i) the repayment of bank borrowings and finance leases amounted to approximately HK\$10,741,000 and HK\$6,601,000, respectively; (ii) the decrease in amount due to a director of approximately HK\$7,122,000; and (iii) interest paid on finance leases and bank borrowings for approximately HK\$711,000 and HK\$267,000, respectively.

During the year ended 31 March 2013, our net cash used in financing activities amounted to approximately HK\$3,072,000. Cash inflow for financing activities was due to the drawdown of bank borrowings of approximately HK\$13,886,000 and the amount due to a director increasing by approximately HK\$1,780,000. Cash outflow for financing activities was mainly due to (i) repayment of bank borrowings and finance leases of approximately HK\$15,023,000 and HK\$2,773,000, respectively; and (ii) interest paid on bank borrowings and finance leases in the amount of approximately HK\$503,000 and HK\$439,000, respectively.

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Current assets and liabilities

The following table sets forth details of our Group's current assets and liabilities as at the dates indicated:

	As at 31 March			As at
	2013	2014	2015	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)			
Current assets				
Trade and other receivables	46,855	65,086	86,990	96,074
Gross amounts due from customers				
for contract work	3,108	3,416	6,431	13,793
Amounts due from Directors	1,098	3,848	9,988	13,972
Cash and bank balances	<u>8,733</u>	<u>5,492</u>	<u>22,543</u>	<u>19,804</u>
	<u>59,794</u>	<u>77,842</u>	<u>125,952</u>	<u>143,643</u>
Current liabilities				
Trade and other payables	24,866	22,068	36,655	35,574
Gross amounts due to customers				
for contract work	6,987	7,707	10,371	15,285
Amount due to a Director	9,003	1,881	–	–
Borrowings	17,930	16,101	17,455	17,946
Current income tax liabilities	<u>3,446</u>	<u>6,383</u>	<u>11,778</u>	<u>14,333</u>
	<u>62,232</u>	<u>54,140</u>	<u>76,259</u>	<u>83,138</u>
Net current (liabilities)/assets	<u>(2,438)</u>	<u>23,702</u>	<u>49,693</u>	<u>60,505</u>

Our net current assets represent the difference between our total current assets and total current liabilities.

As at 30 June 2015, our net current assets increased to approximately HK\$60,505,000. Our current assets of approximately HK\$143,643,000 comprised (i) trade and other receivables of approximately HK\$96,074,000; (ii) gross amounts due from customers for contract work of approximately HK\$13,793,000; (iii) amounts due from Directors of approximately HK\$13,972,000 (which would be offset by the dividend declared by our Group in August 2015); and (iv) cash and bank balances of approximately HK\$19,804,000. As at 30 June 2015, our current liabilities of approximately HK\$83,138,000 comprised (i) trade and other payables of approximately HK\$35,574,000; (ii) gross amounts due to customers for contract work of approximately HK\$15,285,000; (iii) borrowings of approximately HK\$17,946,000; and (iv) current income tax liabilities of approximately HK\$14,333,000.

During the year ended 31 March 2015, net current assets of our Group increased by approximately HK\$25,991,000, or 109.7%, to approximately HK\$49,693,000 from approximately HK\$23,702,000 as at 31 March 2014. Such increase is driven by our increased construction activities during the year ended 31 March 2015 which in turn increased our trade and other receivables, gross amounts due from customers for contract work and cash and bank

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balances. Although our current liabilities also increased by approximately HK\$22,119,000 during the year ended 31 March 2015 as trade and other payables, gross amounts due to customers for contract work and current income tax liabilities increased, the increase of current assets by approximately HK\$48,110,000 far exceeded the increase in current liabilities.

During the year ended 31 March 2014, net current assets of our Group increased by approximately HK\$26,140,000 to approximately HK\$23,702,000 from approximately HK\$2,438,000 net current liabilities position as at 31 March 2013. The increase was mainly due to the increase in (i) our trade and other receivables of approximately HK\$18,231,000; (ii) amounts due from directors of approximately HK\$2,750,000; and (iii) gross amounts due from customers for contract work of approximately HK\$308,000, although partly offset by the decrease in cash and bank balances of approximately HK\$3,241,000; and the decrease in (i) amount due to a director of approximately HK\$7,122,000; (ii) trade and other payables of approximately HK\$2,798,000; and (iii) borrowings of approximately HK\$1,829,000, although current income tax liabilities increased by approximately HK\$2,937,000.

DISCUSSION OF CERTAIN COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

Property, plant and equipment

The following table sets out the respective carrying values of our Group's property, plant and equipment as at the respective dates as indicated:

	Leasehold improvements <i>HK\$'000</i>	Machinery and equipment <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at					
31 March 2013	<u>160</u>	<u>20,153</u>	<u>210</u>	<u>16,796</u>	<u>37,319</u>
31 March 2014	<u>–</u>	<u>18,893</u>	<u>240</u>	<u>14,982</u>	<u>34,115</u>
31 March 2015	<u>648</u>	<u>36,772</u>	<u>564</u>	<u>11,998</u>	<u>49,982</u>

As shown in the table above, our Group's property, plant and equipment consist of majorly machinery and equipment, and motor vehicles. We purchased our machinery and equipment and motor vehicles mainly with our internally generated resources and or through hire-purchase arrangements. Machinery and equipment are primarily the various types of machinery for our foundation construction works, which would require excavators, generators, air compressors, mobile cranes, hydraulic breakers and drilling machines. The machinery and equipment had a carrying amount of approximately HK\$20,153,000 as at 31 March 2013, which slightly decreased to approximately HK\$18,893,000 as at 31 March 2014 due to depreciation and the purchase of a number of new machinery during the year. The carrying amount of machinery and equipment then increased to approximately HK\$36,772,000 as at 31 March 2015 as a result of addition of 26 machineries. For further details of the machinery for our Group's operations, please refer to the section headed

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“Business – Machinery” of this prospectus. Motor vehicles are mainly dumping trucks used for our construction waste handling projects for transporting C&D materials within the site area or different dumping sites. Our Group also owned some motor vehicles to facilitate our project management staff to travel between different construction sites or offices. The carrying amount of our motor vehicles was approximately HK\$16,796,000 as at 31 March 2013 which decreased to approximately HK\$14,982,000 as at 31 March 2014 because of depreciation, although partly offset by a few purchases of new vehicles. Motor vehicles’ balance then decreased to approximately HK\$11,998,000 as at 31 March 2015 due to depreciation and the disposal of certain pre-Euro IV diesel commercial vehicles. During the Track Record Period and up to the Latest Practicable Date, our Group has not owned any land and buildings, all our properties, including our offices, are used under operating leases. For details of our properties, please also refer to the section headed “Business – Property interests” of this prospectus.

Some of our machinery and equipment and motor vehicles were purchased by entering into finance lease arrangements during the Track Record Period. As at 31 March 2015, we had 33 items of machinery and equipment purchased under finance leases. The following table sets out the net carrying amount of such property, plant and equipment under finance leases as at the dates indicated:

	As at 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost – capitalised finance leases	18,879	27,850	36,639
Accumulated depreciation	<u>(6,940)</u>	<u>(12,791)</u>	<u>(13,342)</u>
Net book value	<u><u>11,939</u></u>	<u><u>15,059</u></u>	<u><u>23,297</u></u>

Amounts due to/from customers for contract work

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. Unlike trade receivables, which represent work performed by us and certified by our customer but not yet settled, amounts due from customers for contract work represent work performed by us, for which the payment certificates have not yet been obtained from our customers as at the end of a financial year. Conversely, 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).

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The following table sets out our Group's gross amounts due from/to customers for contract work as at each reporting date:

	As at 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross amounts due from customers for contract work	3,108	3,416	6,431
Gross amounts due to customers for contract work	<u>(6,987)</u>	<u>(7,707)</u>	<u>(10,371)</u>
	<u><u>(3,879)</u></u>	<u><u>(4,291)</u></u>	<u><u>(3,940)</u></u>

The gross amounts due from/to customers for contract work vary from period to period due to the impact from the difference in volume and value of construction works we performed close to the end of each reporting period and timing when we received payment certificates from our customers.

When construction project is completed, contrary to interim payment applications which we generally apply monthly, our customer generally takes a much longer time to approve the final account. As at 31 March 2013, 2014 and 2015, gross amounts due from customers for contract work included a balance of HK\$193,000, HK\$2,689,000 and HK\$2,689,000 not yet certified by customers, respectively, relating to projects completed which we recognised revenue for the works done submitted in the final account application by reference to the amount of completed works confirmed by in-house surveyor to the customers. Our Directors are of the view that revenue recognised for each of the financial years during the Track Record Period by reference to in-house surveyor's confirmation of work done thus represents an insignificant portion. Referring to the impairment of trade receivables described on the paragraph headed "Trade and other receivables – Trade receivables" below, based on the fact that (i) we have on-going business relationships with these customers and we have not received any notice of disagreement on our final payment application from these customers as at the Latest Practicable Date; (ii) we have received all interim payments timely on the same project and we are not aware of the deterioration of the credit quality of these customers; and (iii) it is the industry norm to allow a long defects liability period from date of completion of the project before final accounts are to be approved by our customers and settled, our Directors consider that the current level of trade receivables written off is sufficient.

Trade and other receivables

Our trade and other receivables consisted of (i) trade receivables; (ii) retention receivables; and (iii) other receivables deposits and prepayments. The following table sets out the breakdown of trade and other receivables as at the dates indicated:

	As at 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	29,463	40,962	52,376
Other receivables, deposits and prepayments	4,073	4,519	6,481
Retention receivables	<u>13,319</u>	<u>19,605</u>	<u>28,133</u>
	<u><u>46,855</u></u>	<u><u>65,086</u></u>	<u><u>86,990</u></u>

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Trade receivables

Trade receivables were mainly derived from our provision of construction works. Our customers are generally required to make payments to us within 30 to 75 days after our issuance of interim invoices, which are usually made by our Group on a monthly basis.

During the year ended 31 March 2014, our trade receivables increased from approximately HK\$29,463,000 as at 31 March 2013 to HK\$40,962,000 as at 31 March 2014 as during that year our Group was involved in increased number of construction projects whose progresses were concentrated towards the end of the financial year, thereby accumulating trade receivables which had not yet been settled as at the year end date.

During the year ended 31 March 2015, our trade receivables further increased from approximately HK\$40,962,000 as at 31 March 2014 to approximately HK\$52,376,000 as at 31 March 2015 because we had undertaken a number of larger scale projects and our revenue greatly increased.

As at 31 March 2013 and 2014, to certain extent our trade receivables (including retention receivables) were concentrated to our largest customer and the five largest customers as illustrated in the table below:

	As at 31 March		
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Largest customer	7,290	3,020	25,339
Five largest customers	30,204	37,013	52,955

We seek to maintain strict control over our outstanding trade receivables as well as retention receivables to minimise credit risk. Our management reviews overdue balances regularly and send our payment reminders for such balances. We do not hold any collateral or other credit enhancements over our trade receivables balances. Trade receivables are non-interest bearing.

The following table sets out our ageing analysis of trade receivables from clients, presented based on date of revenue recognition, as at the dates indicated:

	As at 31 March		
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0–30 days	21,177	23,459	25,783
31–60 days	4,738	9,131	18,415
61–90 days	798	3,063	4,705
Over 90 days	2,750	5,309	3,473
	<u>29,463</u>	<u>40,962</u>	<u>52,376</u>

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Movements in our Group's provision for impairment of trade receivables are as follows:

	As at 31 March		
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Beginning of the year	–	–	–
Allowance for trade receivables	910	–	287
Trade receivables written off as uncollectible	(910)	–	(287)
	<hr/>	<hr/>	<hr/>
End of the year	<u>–</u>	<u>–</u>	<u>–</u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables as at 31 March 2013, 2014 and 2015 of approximately HK\$910,000, nil and HK\$287,000, respectively. The individually impaired trade receivables for the year ended 31 March 2013 related to a construction project which works done treated as variation orders and recognised as revenue but finally not approved by our customer while the individually impaired trade receivables for the year ended 31 March 2015 related to a construction project which we recognised revenue for certain works done in the year ended 31 March 2014 but despite payment application being made in the final account, such works were expected not to be certified by the respective customer by reference to the shortfall in the final account subsequently certified.

As at the Latest Practicable Date, approximately HK\$29,452,000 or 99.9%, HK\$40,600,000 or 99.1% and HK\$49,404,000 or 94.3% of trade receivable for each of the year ended 31 March 2013, 2014 and 2015, respectively, were settled.

The following table sets out the debtors' turnover days for the year indicated:

	Year ended 31 March		
	2013 <i>days</i>	2014 <i>days</i>	2015 <i>days</i>
Debtors' turnover days (<i>Note</i>)	38.8	53.9	55.8

Note: Debtors' turnover days is calculated by the average trade receivables, net of impairment, as at the respective year ended divided by the total revenue for the year and multiplied by 365.

The increase in debtors' turnovers days during the year ended 31 March 2014 was due to the accumulation of accounts receivables towards the end of the financial year as explained above. While the further slight increase in debtors' turnovers days during the year ended 31 March 2015 was because of the slower payment of a major customer to our Group. The slower payment was the customer's decision and the settlement had still been made within the agreed credit term.

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Retention receivables

Retention money is retained by our customers at a rate of 10% usually of each interim payment made to us, subject to a cap of 5% of the contract sum. Such retention money may only be released after completion of our construction works or completion of the whole construction projects, being agreed with our customers contract by contract. For further details of the retention money, please refer to the section headed “Business – Operation process – Progress payment” of this prospectus.

During the year ended 31 March 2014, our retention receivables increased from approximately HK\$13,319,000 as at 31 March 2013 to HK\$19,605,000 as at 31 March 2014 as during that year our Group was involved in increased number of construction projects whose progresses were concentrated towards to end of the financial year, and hence retention receivables grew in line with the increase in our trade receivables.

During the year ended 31 March 2015, our trade receivables increased from approximately HK\$19,605,000 as at 31 March 2014 to HK\$28,133,000 as at 31 March 2015, such increase is just as the increases in our revenue and trade receivables due to the construction activities undertaken by us.

Other receivables, deposits and prepayments

Prepayments and deposits mainly represented prepayments and deposits paid for the rental of office properties and car park space and other utilities. Prepayments and deposits were amounted to approximately HK\$4,073,000, HK\$4,519,000 and HK\$6,481,000 as at 31 March 2013, 2014 and 2015, respectively.

Trade and other payables

The following table sets forth a breakdown of trade and other payables as at the dates indicated:

	As at 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	19,141	15,865	32,979
Accruals and other payables	<u>5,725</u>	<u>6,203</u>	<u>3,676</u>
	<u>24,866</u>	<u>22,068</u>	<u>36,655</u>

Our trade and other payables amounted to approximately HK\$24,866,000, HK\$22,068,000 and HK\$36,655,000 as at 31 March 2013, 2014 and 2015, respectively.

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Trade payables

Our trade payables mainly represented amounts payable to our suppliers, whom we purchased construction materials from, and subcontracting charges.

As our business is project-based and our construction projects may not be recurring, our cost of sales incurred during the Track Record Period fluctuated subject to the size and the progress of our construction works and as such our trade payables balance and payables turnovers days as at a reporting date or during a reporting period may be affected.

Our trade payables decreased from approximately HK\$19,141,000 as at 31 March 2013 to approximately HK\$15,865,000 as at 31 March 2014 as we have during the financial year reduced reliance on subcontractors but instead hired additional staff to undertake the construction activities on our own. As such, subcontracting charges for the year ended 31 March 2014 reduced as compared to the previous year and hence trade payables also decreased as at the year end date.

Our trade payables increased from approximately HK\$15,865,000 as at 31 March 2014 to approximately HK\$32,979,000 as at 31 March 2015, such increase is mainly in line with our growth in revenue and increasing construction activities, which led to greater use of construction material and suppliers and subcontracting charges.

The following table sets out the ageing analysis of our trade payables as at the end of each of the reporting dates presented based on the invoice dates:

	As at 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	12,911	8,295	24,214
31 – 60 days	3,980	4,766	5,894
61 – 90 days	1,373	1,283	1,017
Over 90 days	877	1,521	1,854
	<u>19,141</u>	<u>15,865</u>	<u>32,979</u>

The credit period on trade payables is generally 15 to 80 days. As at the Latest Practicable Date, approximately HK\$18,887,000 or 98.7%, HK\$15,250,000 or 96.1% and HK\$29,677,000 or 90.0% of trade payables for each of the year ended 31 March 2013, 2014 and 2015, respectively, were settled.

The following table sets out the creditors' turnover days for the years indicated:

	Year ended 31 March		
	2013	2014	2015
	<i>days</i>	<i>days</i>	<i>days</i>
Creditors' turnover days (<i>Note</i>)	29.6	31.4	36.7

Note: Creditors' turnover days is calculated by the average trade payables as at the respective year ended divided by cost of sales and multiplied by 365.

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The creditors' turnover days were 29.6 days, 31.4 days and 36.7 days for each of the year ended 31 March 2013, 2014 and 2015, respectively. As we generally receive payment from our customers before we settle the subcontracting charges, subcontractors' payables turnover days may therefore lengthen when trade receivables age. For our suppliers of construction materials and suppliers, we settle the payment in accordance with the credit term allowed.

RELATED PARTY TRANSACTIONS AND BALANCES

Please refer to notes 17, 20 and 25 of section II in the Accountants' Report in Appendix I to this prospectus for details of the related parties transaction and balances with related parties. Our Directors are of the view that these transactions were conducted on an arm's length basis, and would not distort our results of operation during the Track Record Period or make our historical results during the Track Record Period not reflective of our expectations of our future performance. As at 31 March 2015, amounts due from Mr. Ip Ying Chau and Mr. Chan Wing Chung, our executive Directors, to our Group were approximately HK\$4,212,000 and HK\$5,776,000, respectively. These amounts have been offset by the dividend payable by us to them in August 2015. Our Directors confirm that all personal guarantees provided for our Group will be released and all amounts due to/from related parties will be settled before Listing.

INDEBTEDNESS

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

	As at 31 March			As at 30 June
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)
Current liabilities:				
Amount due to a director	9,003	1,881	–	–
Bank overdrafts	3,088	4,812	4,387	4,481
Bank borrowings	9,031	4,290	3,109	2,955
Finance lease liabilities	<u>5,811</u>	<u>6,999</u>	<u>9,959</u>	<u>10,510</u>
	26,933	17,982	17,455	17,946
Non-current liabilities:				
Finance lease liabilities	<u>6,752</u>	<u>7,452</u>	<u>8,235</u>	<u>10,277</u>
Total	<u><u>33,685</u></u>	<u><u>25,434</u></u>	<u><u>25,690</u></u>	<u><u>28,223</u></u>

The amount due to a director principally represented advances from a director for financing the daily operations of our Group which were unsecured, non-interest bearing and had no fixed terms of repayment.

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Bank overdrafts and bank borrowings and finance lease liabilities

Bank overdrafts and bank borrowings

The bank overdrafts and bank borrowings are classified as current liabilities according to the HK Interpretation 5, *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* issued by the Hong Kong Institute of Certified Public Accounts. According to the repayment schedule, the bank overdrafts and bank borrowings are repayable as follows:

	As at 31 March			As at
	2013	2014	2015	30 June
	HK\$'000	HK\$'000	HK\$'000	2015 (Unaudited) HK\$'000
Bank overdrafts on demand	3,088	4,812	4,387	4,481
Within 1 year	4,745	1,177	626	630
Between 1 and 2 years	1,176	627	641	645
Between 2 and 5 years	1,924	1,972	1,743	1,680
Over 5 years	1,186	514	99	–
Total	12,119	9,102	7,496	7,436

The carrying amount of bank overdrafts and bank borrowings are denominated in HK dollars and United States dollars. The bank overdrafts and bank borrowings bear interest at rates ranging from 2.20% to 6.85%, 2.20% to 6.50% and 2.20% to 6.50% per annum as at 31 March 2013, 2014 and 2015 respectively. As at 30 June 2015, the bank overdrafts and bank borrowings bear interest at rates ranging from 2.20% to 6.50% per annum.

As at 31 March 2013, 2014 and 2015, the undrawn banking facilities amounted to approximately HK\$2,912,000, HK\$3,232,000 and HK\$3,113,000 respectively.

Our bank overdrafts and bank borrowings were secured/guaranteed by:

- (i) personal guarantees given by Mr. Ying Chau and Mr. Chan Wing Chung and a director of our subsidiary as at 31 March 2013, 2014, 2015 and 30 June 2015;
- (ii) certain properties held by Mr. Chan Wing Chung as at 31 March 2013, 2014, 2015 and 30 June 2015;
- (iii) pledge of life insurance as at 31 March 2013, 2014, 2015 and 30 June 2015;
- (iv) guarantee by The Hong Kong Mortgage Corporation Limited under the SME Financing Guarantee Scheme as at 31 March 2013 and 2014; and
- (v) guarantees by the Government under the Special Loan Guarantee Scheme as at 31 March 2013, 2014 and 2015.

As at the Latest Practicable Date, the guarantees mentioned in (v) above have been released. Personal guarantees provided by Mr. Ip Ying Chau and Mr. Chan Wing Chung and a director of our subsidiary in respect of bank overdrafts and bank borrowings will be released and replaced by a corporate guarantee provided by our Company upon Listing. In addition, legal charge over certain properties held by Mr. Chan Wing Chung to secure for general banking facilities will also be released before Listing.

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Our Directors confirm that our Group has not experienced any difficulty in obtaining bank borrowing, default in payment on bank borrowings or breach of finance covenants during the Track Record Period and up to the Latest Practicable Date and that they do not foresee any difficulty for our Group in obtaining bank borrowing after the Latest Practicable Date.

Finance lease liabilities

During the Track Record Period, we acquired certain machinery and motor vehicles by way of finance leases arrangement mainly through banks and machinery and motor vehicle providers.

As at 31 March 2013, 2014, 2015 and 30 June 2015, our total finance lease liabilities (including both current and non-current portions) were approximately HK\$12,563,000, HK\$14,451,000, HK\$18,194,000, and HK\$20,787,000, respectively. The carrying amounts of all finance lease liabilities are denominated in HK dollars.

	As at 31 March			As at 30 June 2015
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)
Gross finance lease liabilities – minimum lease payments				
Within 1 year	6,430	7,637	10,560	11,144
Between 1 and 2 years	3,267	4,765	5,524	5,739
Between 2 and 5 years	3,924	3,041	3,000	4,933
	<u>13,621</u>	<u>15,443</u>	<u>19,084</u>	<u>21,816</u>
Future finance charges on finance leases	<u>(1,058)</u>	<u>(992)</u>	<u>(890)</u>	<u>(1,029)</u>
Present value of finance lease liabilities	<u>12,563</u>	<u>14,451</u>	<u>18,194</u>	<u>20,787</u>

The present value of finance lease liabilities is as follows:

	As at 31 March			As at 30 June 2015
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)
Within 1 year	5,811	6,999	9,959	10,510
Between 1 and 2 years	3,011	4,495	5,314	5,468
Between 2 and 5 years	3,741	2,957	2,921	4,809
	<u>12,563</u>	<u>14,451</u>	<u>18,194</u>	<u>20,787</u>

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The underlying interest rates of these obligations under finance leases ranged from 3.82% to 7.92%, 3.82% to 7.96%, 2.88% to 7.96% and 2.88% to 7.96% per annum as at 31 March 2013, 2014 and 2015 and 30 June 2015 respectively.

The finance leases are secured by the Group's machinery and equipment and motor vehicles as at 31 March 2013, 2014 and 2015 and 30 June 2015 respectively. Finance leases with carrying amounts of HK\$10,021,000, HK\$10,917,000, HK\$11,771,000 and HK\$15,470,000 as at 31 March 2013, 2014, 2015 and 30 June 2015 are guaranteed by personal guarantees given by Mr. Ip Ying Chau and Mr. Chan Wing Chung. Personal guarantees of Mr. Ip Ying Chau and Mr. Chan Wing Chung in respect of the finance leases will be released upon Listing.

Save for the continual use of the financial lease arrangements subsequent to the Listing for the acquisition of machinery of motor vehicle for our daily operation uses, our Directors confirm that our Company did not have any other external financing plans as at the Latest Practicable Date.

Contingent liabilities

We had no significant contingent liabilities as at 31 March 2013, 2014 and 2015 and 30 June 2015.

Commitments

As at 31 March 2013, 2014 and 2015 and 30 June 2015, we had the following capital commitments:

	As at 31 March			As at 30 June
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Unaudited)
Contracted but not provided for: property, plant and equipment	<u>–</u>	<u>–</u>	<u>240</u>	<u>–</u>

Our Group had outstanding commitments in respect of future minimum lease payments under non-cancellable operating leases as the following dates as indicated:

	As at 31 March			As at 30 June
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Unaudited)
Within one year	261	491	1,873	1,778
In the second to fifth year inclusive	<u>–</u>	<u>725</u>	<u>1,930</u>	<u>1,534</u>
	<u>261</u>	<u>1,216</u>	<u>3,803</u>	<u>3,312</u>

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Disclaimer

Our Directors confirm that (i) our Group has not experienced any difficulty in obtaining bank borrowing, any default in payment on bank borrowing or any breach of finance covenants during the Track Record Period and up to the Latest Practicable Date; (ii) there has not been any material change in our indebtedness and contingent liabilities since 30 June 2015 and up to the Latest Practicable Date; (iii) our Directors are not aware of any material defaults in payment of our trade and non-trade payables and bank borrowing during the Track Record Period and up to the Latest Practicable Date; (iv) our bank borrowing are subject to standard banking conditions; and (v) our Group has not received any notice from banks indicating that they might withdraw or downsize our banking facilities and none of our Group's banking facilities is subject to the fulfillment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financing.

Save as disclosed above in this section "Financial information — Indebtedness", we did not have, at the close of business on 30 June 2015, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

Our Group did not enter into any material off-balance sheet transactions or arrangements as at the Latest Practicable Date.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily comprised additions to property, plant and equipment and prepaid lease payments in line with our business expansion. The following table sets forth details of our capital expenditures during the Track Record Period:

	For the year ended 31 March		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Leasehold improvements	200	74	767
Machinery and equipment	13,723	7,790	28,688
Furniture, fixtures and office equipment	143	132	482
Motor vehicles	15,598	5,793	5,066
	<u>29,664</u>	<u>13,789</u>	<u>35,003</u>

Our capital expenditures were funded out of internal generated resources and hire-purchase arrangements.

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Our Group plans to finance future capital expenditures primarily through the net proceeds of the Share Offer, hire-purchase arrangement and cash generated from operations. To cope with expansion needs, our Group expects to further incur additional capital expenditures which are expected to be generally on motor vehicles and machinery and equipment. It is expected that approximately 60.1% of the net proceeds, or approximately HK\$36.5 million will be used to acquire machinery and equipment.

SUMMARY OF KEY FINANCIAL RATIOS

The table below sets out a summary of key financial ratios respect of our Group's results of operation for the years ended or as at 31 March 2013, 2014 and 2015:

	<i>Notes</i>	As at or for the year ended 31 March		
		2013	2014	2015
PROFITABILITY RATIOS				
Return on assets	<i>1</i>	20.9%	18.8%	23.7%
Return on equity	<i>2</i>	78.2%	43.8%	44.7%
LIQUIDITY RATIOS				
Current ratio	<i>3</i>	1.0	1.4	1.7
Quick ratio	<i>4</i>	1.0	1.4	1.7
CAPITAL ADEQUACY RATIOS				
Gearing ratio	<i>5</i>	95.5%	50.2%	29.8%
Net debt to equity ratio	<i>6</i>	61.7%	38.5%	3.7%
Interest coverage	<i>7</i>	23.8	22.0	37.4

Notes:

1. Return on assets is calculated by dividing net profit for the year divided by the total assets at the end of the respective year and expressed as a percentage.
2. Return on equity is calculated by dividing net profit attributable to the owners of our Company for the year divided by the total equity attributable to the owners of our Company at the end of the respective year and expressed as a percentage.
3. Current ratio is calculated by dividing the total current assets by the total current liabilities as at the year-end date.
4. Quick ratio is calculated by dividing total current assets net of inventories by current liabilities as at the year-end date.
5. Gearing ratio is calculated by dividing all interest-bearing borrowings and obligations under finance leases by total equity at the year-end date and expressed as a percentage.
6. Net debt to equity ratio is calculated by dividing all interest-bearing borrowings and obligations under finance leases net of cash and cash equivalents at the end of the year by total equity at the end of the respective year and expressed as a percentage.
7. Interest coverage is calculated by the profit before interest and tax divided by the interest for the year.

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Profitability ratios

Return on assets

Towards the last quarter of the year ended 31 March 2014, our Group commenced three projects of relatively larger scale in terms of contract sum, which let our Group recognise revenue and book in our combined statement of financial position a considerable trade and other receivables account. On our Group's liabilities side, during the year ended 31 March 2014, the decrease in amount due to a director led to the decrease in the combined total liabilities of our Group as at 31 March 2014. Accordingly, given that (i) the profit for the year ended 31 March 2014 grew mildly as compared to 2013; and (ii) the base of total assets became larger due to accumulating prior year's profit even though there was reduction in total liabilities, our return on assets dropped from 20.9% for the year ended 31 March 2013 to 18.8% for the year ended 31 March 2014.

Our profit increased substantially by 97.6% from approximately HK\$21,059,000 for the year ended 31 March 2014 to approximately HK\$41,621,000 for the year ended 31 March 2015. Our total assets also increased, mainly due to our profit for the year transferring into retained earnings and the increase in our borrowings, however, at a lower rate of 57.1% during the year ended 31 March 2015. Accordingly, our return on assets increased from 18.8% for the year ended 31 March 2014 to 23.7% for the year ended 31 March 2015.

Return on equity

Our return on equity dropped from 78.2% for the year ended 31 March 2013 to 43.8% for the year ended 31 March 2014. This was mainly attributable to the increase in retained earnings for the year ended 31 March 2014 as a result of the profit generated for the year, while profit for the year remained stable.

Our return on equity remained stable during the two years ended 31 March 2015 as total equity increased at the same rate as profit attributable to the owners of our Company.

Liquidity ratios

Current ratio

Our current ratio was 1.0, 1.4 and 1.7 as at 31 March 2013, 2014 and 2015, respectively. Our current ratio increased over the Track Record Period mainly due to our current liabilities increasing at a lower rate than our current assets in terms of both amount and percentage. As at 31 March 2014, our current assets increased mainly due to our involvement in increased number of projects whose progresses were concentrated towards the end of the financial year. On the other hand, current liabilities decreased mainly because trade payables due to subcontractors reduced as a result of the reduced reliance on subcontractors as we hired additional staff to undertake the construction activities on our own.

As at 31 March 2015, current assets increased further with the increased balances of trade and other receivables and cash and bank balances due to the substantial increase in revenue. On the other hand, current liabilities also increased, mainly caused by the increase in trade and other payables.

FINANCIAL INFORMATION

Quick ratio

During the Track Record Period, we did not hold any inventory, accordingly, our quick ratio was the same as our current ratio as at 31 March 2013, 2014 and 2015, respectively.

Capital adequacy ratios

Gearing ratio

Our gearing ratio was 95.5%, 50.2% and 29.8% as at 31 March 2013, 2014 and 2015, respectively. Our gearing ratio decreased during the Track Record Period mainly due to the increase in retained earnings as a result of the net profit growth over the Track Record Period through undertaking larger projects in terms of contract sum, while debt remained relatively stable during the Track Record Period.

Net debt to equity ratio

Our net debt to equity ratio was 61.7%, 38.5% and 3.7% as at 31 March 2013, 2014 and 2015, respectively. Our net debt to equity ratio decreased during the Track Record Period mainly due to the increase in retained earnings as a result of the net profit growth over the Track Record Period through undertaking larger projects in terms of contract sum, while net debt decreased during the Track Record Period as our cash and bank balances increased and our debt remained relatively stable.

Interest coverage

Our interest coverage was approximately 23.8, 22.0 and 37.4 for the years ended 31 March 2013, 2014 and 2015, respectively. During the year ended 31 March 2014, our interest coverage decreased slightly to 22.0 as a result of the entering of additional finance leases which incurred higher interest expenses. During the year ended 31 March 2015, our interest coverage substantially increased to 37.4 as a result of the increased construction activities which gave rise to growth of profit before interest and tax.

WORKING CAPITAL

Taking into consideration our Group's existing balance of cash and cash equivalent, cash flows from its operations, availability of bank facility and estimated net proceeds from the Share Offer, our Directors believe, after due and careful inquiry, that we have sufficient working capital for at least 12 months commencing from the date of this prospectus.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Foreign exchange risk

Our Group currently does not expose to foreign exchange risk as most of our monetary assets and liabilities are denominated in Hong Kong dollars.

Interest rate risk

Our Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances.

Certain of our banking facilities and our hire-purchase arrangements charge interest at floating interest rate. Having balanced the cost and benefit, our Directors consider it not necessary have a policy on cash flow hedges of interest rate risk. Nevertheless, the management of our Group keeps monitor any change of interest exposure and will consider implementing measures from time to time to mitigate the adverse change of interest rate should the need arise.

Credit risk

Our Group exposes to credit risk primarily due to the collectability risk of the trade receivables due from our customers. Our Directors consider that our customers are reputable corporations and hence the credit risk attached to these customers relatively low. Our Group performs on-going credit evaluation on the financial condition on our debtors and tightly monitors the ageing of the trade receivables. Our Group would take necessary follow up action in case of overdue balances or when the above credit evaluation results draw the attention of our Directors. In addition, our management reviews the recoverable amount of the trade receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by our Group during the Track Record Period and are considered to be effective in limiting our exposure to credit risk. As an industry practice, our Group does not require our financial assets to be secured by collateral.

Liquidity risk

Our Group has policy in place to regularly monitor our Group's liquidity requirements, both existing and expected, in order to maintain sufficient reserves of cash from short term to long term. Our Directors are of the view that our liquidity risk management policy enables our Group to have sufficient resources to meet our debt obligations and working capital needs.

Capital risk

Our Group's objectives for managing capital are to ensure our ability to continue as a going concern in order to provide returns for our Shareholders and to maintain an optimal capital structure to minimise our cost of capital.

To maintain or adjust capital structure, we may adjust dividend payout ratio, make return of capital to Shareholders in the form of dividend or share buyback, issue new Shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the Track Record Period.

FINANCIAL INFORMATION

Neither our Company nor any of our subsidiaries are subject to any externally imposed capital requirements.

DIVIDENDS AND DIVIDEND POLICY

For the years ended 31 March 2013, 2014 and 2015, Win Target declared dividend in the amount of HK\$nil, HK\$nil and HK\$1,300,000 to the then shareholders, respectively, and the said dividend has been fully paid in cash as at the Latest Practicable Date. In August 2015, members of our Group declared in aggregate of HK\$25 million to their shareholders, part of which was used to offset the amount due from Directors. Other than these payouts, no member of our Group had declared any dividend during the Track Record Period and up to the Latest Practicable Date. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising from the dividend payments.

The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

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

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$21.6 million, which will be borne by the Vendor and our Group in equal share, each bearing approximately HK\$10.8 million. The portion of listing expenses borne by the Vendor in connection with the Sale Shares of approximately HK\$3.1 million will be set-off against the listing expenses of our Group. The portion of listing expenses of approximately HK\$7.7 million reimbursed by the Vendor in its capacity of a Shareholder will be accounted for as capital contribution to our Group. The listing expenses are non-recurring in nature and are mainly consisted of professional fees paid to the Sponsor, the legal advisers, the reporting accountants and other professional parties for the provision of their services in connection with the Share Offer. No significant listing expenses were incurred by our Group during the two years ended 31 March 2014. Of the aggregate listing expenses of approximately HK\$21.6 million, approximately HK\$3.8 million was charged to profit or loss for the year ended 31 March 2015. For the remaining amount of approximately HK\$17.8 million, approximately HK\$3.1 million will be borne by the Vendor as stated above, and our Group expects to further charge approximately HK\$11.5 million to profit or loss, while approximately HK\$3.2 million is expected to be directly attributable to the issue of Shares and accounted for as a deduction from equity upon successful listing under the relevant accounting standards. The amount of listing expenses is a current estimate for reference only and the final amount to be recognised to the consolidated statement of comprehensive income of our Group for the year ending 31 March 2016 is subject to audit and the actual changes in variables and assumptions.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Please refer to Part IV of the Accountants' Report in Appendix I to this prospectus for events of our Group took place subsequent to 31 March 2015.

FINANCIAL INFORMATION

RECENT DEVELOPMENT AND FINANCIAL PERFORMANCE

As at the date of this prospectus, we had 15 foundation and ancillary services projects and 1 construction waste handling project ongoing.

Subsequent to 31 March 2015, we have been successfully awarded five projects related to foundation and ancillary services, four of which have commenced before the date of this prospectus and the remaining one is due to commence in October 2015. Total contract sum for these five lately awarded projects is approximately HK\$137.8 million.

Other than projects that have not yet commenced, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption. Subsequent to 31 March 2015 and up to the date of this prospectus, we had completed three projects, which are site formation and ELS works located in Kwai Tsing district, removal and disposal works of existing filled materials located in Tai Po district and site formation works at Sha Tin district.

Our Directors consider that our Group is well-positioned to take on new foundation construction projects and believe that the emphasis of Government policy on housing and land supply would favour the growth of our Group and the demand of our services.

DISTRIBUTABLE RESERVES

As at 31 March 2015, our Company had no distributable reserves available for distribution to its equity holders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted net assets attributable to owners of our Company as at 31 March 2015 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below:

	Audited combined net tangible assets attributable to owners of our Company as at 31 March 2015 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company HK\$'000	Unaudited pro forma adjusted net tangible assets per Share HK\$ (Note 3)
Based on Offer Price of HK\$0.22 per Share	86,177	56,114	142,291	0.06
Based on Offer Price of HK\$0.28 per Share	86,177	72,931	159,108	0.07

FINANCIAL INFORMATION

Notes:

1. The unadjusted audited combined net tangible assets attributable to the owners of our Company as of 31 March 2015 is extracted from the Accountants' Report in Appendix I to this prospectus, which is based on the audited combined net assets of our Group attributable to the owners of our Company of approximately HK\$86,177,000.
2. The estimated net proceeds from the Share Offer are based on 286,000,000 new Shares at the indicative Offer Price of HK\$0.22 and HK\$0.28 per Share, respectively, after deduction of relevant estimated underwriting commissions and fees and other related fees (excluding approximately HK\$3,822,000 listing-related expenses which have been accounted for prior to 31 March 2015).
3. The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in Notes 1 and 2 above and on the basis that 2,288,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" of this prospectus (assuming that the Share Offer and the Capitalisation Issue had been completed on 31 March 2015).
4. The unaudited pro forma financial information presented above does not take account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 31 March 2015). In particular, in August 2015, interim dividends of HK\$25,000,000 were appropriated to the shareholder of our Company. The unaudited pro forma adjusted net tangible assets had not taken into account the above transaction. Had the effect of the interim dividends of HK\$25,000,000 appropriated in August 2015 been taken into account, the unaudited pro forma adjusted net tangible assets per Share would be HK\$0.05 and HK\$0.06, assuming the indicative Offer Price of HK\$0.22 and HK\$0.28, respectively on the basis that 2,288,000,000 Shares were in issue and that the interim dividends appropriated in August 2015, the Share Offer and the Capitalisation Issue had been completed on 31 March 2015.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the listing of the Shares on the Stock Exchange.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our Group's financial and trading position since 31 March 2015 and there is no event since 31 March 2015 which would materially affects the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section headed “Business – Corporate strategies” of this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the Sale Shares by the Vendor in the Share Offer. We estimate the net proceeds of the Share Offer which we will receive, assuming an Offer Price of HK\$0.25 per Offer Share (being the mid-point of the Offer Price range of HK\$0.22 to HK\$0.28 per Offer Share), will be approximately HK\$60.7 million, after deduction of underwriting fees and commissions and estimated expenses payable in connection with the Share Offer.

We intend to apply the net proceeds from the Share Offer within 12 months from the Listing Date for the following purposes:

- approximately 60.1% of the net proceeds, or approximately HK\$36.5 million, will be used to acquire machinery and equipment. In particular, we plan to acquire 3 sets of large drill rigs, 2 sets of small drill rigs, 4 sets of air compressors, 2 sets of crawler cranes, 2 sets of crane lorries and 1 set of vibro hammer;
- approximately 16.8% of the net proceeds, or approximately HK\$10.2 million, will be used for strengthening our workforce and manpower. Specifically, we expect that out of this sum, approximately HK\$10.0 million will be spent to recruit (i) operation staff, including but not limited to quantity surveyors, safety officers, foremen, site agents and skilled labours; (ii) internal audit staff to deal with the increasingly financial reporting requirements and corporate governance matters following the Listing and the growth of our Group; and (iii) administrative staff to reinforce our asset management department which oversees our Group’s machinery and equipment and other fixed assets. The remaining HK\$0.2 million is expected to be used in organising training workshops or courses through external training or by external parties such as training institutions for improving our staff’s technical competence;
- approximately 13.2% of the net proceeds, or approximately HK\$8.0 million, will be used for repayment of our outstanding bank borrowings to reduce our finance costs. We intend to repay bank overdrafts bearing interest rates of 6.0% to 6.5% per annum whose facility will expire within a year, finance leases maturing in 2015 with an interest rate of 7.96% per annum and banking facilities maturing in 2020 bearing interest rates of 2.2% to 2.5% per annum; and
- approximately 9.9% of the net proceeds, or approximately HK\$6.0 million, will be used as general working capital of our Group.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the estimated offer price range stated in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.28 per Share, the net proceeds we receive from the Share Offer will increase by approximately HK\$8.4 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.22 per Share, the net proceeds we receive from the Share Offer will decrease by approximately HK\$8.4 million.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we will carefully evaluate the situation and it is our present intention to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

We will issue an announcement in the event that there is any material change in the use of proceeds of the Share Offer as described above.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

CNI Securities Group Limited	10th Floor, Sun's Group Centre 200 Gloucester Road Wanchai, Hong Kong
TC Capital Asia Limited	Suites 1903–1904, 19th Floor Tower 6, The Gateway Harbour City 9 Canton Road Tsim Sha Tsui Kowloon, Hong Kong

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Our Company, Controlling Shareholders (including the Vendor), executive Directors and the Public Offer Underwriters have entered into the Public Offer Underwriting Agreement. As described in the Public Offer Underwriting Agreement, we are offering the Public Offer Shares for subscription on the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued, and to certain other conditions described in the Public Offer Underwriting Agreement (including the Joint Lead Managers (on behalf of themselves and the Public Offer Underwriters) and us (on behalf of ourselves and the Vendor) agreeing to the Offer Price), the Public Offer Underwriters have agreed severally to subscribe, or procure subscribers to subscribe, for the Public Offer Shares which are being offered but not taken up under the Public Offer on the terms and subject to the conditions of the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to, amongst other things, the Placing Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

If at any time prior to 8:00 a.m. on the Listing Date:

- (a) there comes to the notice of the Joint Lead Managers (on behalf of themselves and the Public Offer Underwriters):
 - (i) any new law or regulation in Hong Kong, the BVI and the Cayman Islands comes into force, or there is any change in existing law or regulation in Hong Kong, the BVI and the Cayman Islands, or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the BVI and the Cayman Islands; or
 - (ii) there is any material adverse change (including any event or series of events concerning or relating to or otherwise having an effect on) in Hong Kong financial, political, military, industrial, fiscal, legal, regulatory, economic or market conditions, stock or financial market conditions; or

UNDERWRITING

- (iii) there is any material adverse change in the conditions of the Hong Kong securities markets including, for the avoidance of doubt, any significant adverse change in the index level or value of turnover of such markets; or
- (iv) without prejudice to sub-paragraph (ii), (iii) and (v) above, there is imposed any moratorium, suspension on trading in securities generally on the Stock Exchange due to exceptional financial circumstance, or minimum prices having been established for securities traded in general thereon; or
- (v) without prejudice to sub-paragraph (ii), (iii) and (iv) above, a general banking moratorium is declared by Hong Kong authorities; or
- (vi) there is a material adverse change or development involving a prospective material adverse change in taxation or exchange controls in Hong Kong, the BVI, or the Cayman Islands; or
- (vii) there is any material investigation or litigation or claim being threatened or instituted against any executive Director or member of our Group or the Vendor; or
- (viii) there is any event or series of event of force majeure (including, but without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike, lockout, or outbreak of other diseases); or
- (ix) any statement contained in this prospectus and any announcement or circular published by our Company in relation to the Share Offer was, when any of such documents was issued, or has become, untrue, incorrect or misleading in any material respect; or
- (x) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom in the context of the Share Offer or the Listing; or
- (xi) a contravention by any member of our Group or the Vendor of the Companies Ordinance, the SFO, or any of the Listing Rules; or
- (xii) a prohibition on our Company and the Vendor from allotting or selling the Shares pursuant to the terms of the Share Offer under applicable laws; or
- (xiii) a petition is presented or an order is made for the winding up or liquidation of any member of our Group or the Vendor, or any member of our Group or the Vendor makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or the Vendor or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or the Vendor or anything analogous thereto occurs in respect of any material member of our Group or the Vendor,

which in the sole and reasonable opinion of the Joint Lead Managers (for themselves and the Public Offer Underwriters) has or will have a material adverse effect on the business or financial conditions or prospects of our Group taken as a whole or to the success of the Share Offer or the distribution of the Offer Shares, or

UNDERWRITING

- (b) any of the Joint Lead Managers, any of the Joint Bookrunners, the Sponsor or any of the Underwriters becomes aware, or has reasonable cause to believe that:
 - (i) there has occurred any breach which is material and adverse in the context of the Share Offer or the Listing, of any of the obligations and provisions (save for those from the Joint Lead Managers, the Joint Bookrunners, the Sponsor and/or any of the Underwriters) contained in the Public Offer Underwriting Agreement; or
 - (ii) there has occurred any material adverse change in the business or in the financial or trading positions or prospects of any member of our Group taken as a whole which is material and adverse in the context of the Share Offer and the Listing,

then and in any such case, any of the Joint Lead Managers (for itself and on behalf of the Public Offer Underwriters) shall have the sole right upon giving notice in writing to our Company at any time prior to 8:00 a.m. on the Listing Date to terminate their obligations under the Public Offer Underwriting Agreement.

UNDERTAKINGS GIVEN TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in any of the circumstances provided for under Rule 10.08 of the Listing Rules or pursuant to the Share Offer.

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have, jointly and severally, undertaken to the Stock Exchange and our Company that, save as permitted under the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of their shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), they shall not dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests, or encumbrances in respect of, any of our Shares in respect of which they are shown in this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date which the First Six-month Period expires (the “**Second Six-month Period**”), they shall not dispose of, nor enter into any agreement to dispose of, or otherwise created any options, rights, interests or encumbrances in respect of, any of the Shares, if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests

UNDERWRITING

or encumbrances, they would then cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Our Controlling Shareholders have, jointly and severally, undertaken to the Stock Exchange and our Company that within the First Six-month Period and the Second Six-month Period, they will:

- (i) when they pledge or charge any Shares beneficially owned by them in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when they receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertaking by our Company

We have undertaken to the Sponsor, the Joint Lead Managers, the Joint Bookrunners and the other Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement that, except pursuant to the Share Offer or grant of options or issue of our Shares upon exercise of such options pursuant to the Share Option Scheme, we will not without the prior written consent of the Joint Lead Managers and the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time during the First Six-month Period, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right, warrant or other rights to subscribe for any Shares or other securities of our Company over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its subsidiaries), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction, and we further agree that, during the Second Six-month Period, we will not carry out any of the above transactions the completion of which would result in any of our Controlling Shareholders ceasing to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Undertaking by our Controlling Shareholders and executive Directors

Each of our Controlling Shareholders has respectively undertaken to the Sponsor, the Joint Bookrunners, the other Public Offer Underwriters and our Company that:

UNDERWRITING

- (a) during the First Six-month Period, he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its close associates and companies controlled by him/her/it and any nominee or trustee holding in trust for himself/herself/itself shall not, without the prior written consent of the Joint Lead Managers and the Joint Bookrunners or otherwise in compliance with the requirements of the Listing Rules:
- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities; or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; or
 - (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
 - (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules;
- (b) he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its close associates or companies controlled by him/her/it and any nominee or trustee holding in trust for himself/herself/itself shall not, without the prior written consent of the Stock Exchange during the Second Six-month Period commencing on the expiry of the First Six-month Period set out in paragraph (i) above, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/her/it or any of his/her/its close associates or companies controlled by him/her/it or any nominee or trustee holding in trust for himself/herself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be controlling shareholder (as defined in the Listing Rules) of our Company or the aggregate interest of all members of our Controlling Shareholders would be less than 30% of our Company's issued share capital except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/her/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules; and

UNDERWRITING

- (c) in the event of a disposal of any Shares or securities of our Company or any interest therein within the Second Six-month Period, he/she/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders undertakes to the Sponsor, the Joint Bookrunners, the other Public Offer Underwriters and our Company that within the First Six-month Period and the Second Six-month Period, he or she or it shall:

- (a) if and when he or she or it pledges or charges, directly or indirectly, any Shares or other securities of our Company beneficially owned by him or she or it (or any beneficial interest therein), immediately inform our Company, the Joint Lead Managers and the Joint Bookrunners in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he or she or it receives indications, either verbal or written, from any pledgee or chargee that any Shares or other securities in our Company (or any beneficial interest therein) pledged or charged by him or her or it will be disposed of, immediately inform our Company, the Joint Lead Managers and the Joint Bookrunners in writing of such indications.

Placing

Placing Underwriting Agreement

In connection with the Placing, our Controlling Shareholders (including the Vendor), executive Directors and our Company expect to enter into the Placing Underwriting Agreement with the Joint Lead Managers and the Placing Underwriters, on the terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers to subscribe for, or failing which they shall subscribe for, 514,800,000 Placing Shares (comprising 228,800,000 new Shares and 286,000,000 Sale Shares) initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings pursuant to the Public Offer Underwriting Agreement” above.

UNDERWRITING

EXPENSES

Total commission, fee and expenses

In connection with the Share Offer, the Joint Lead Managers and the other Underwriters will receive an underwriting commission of 2.0% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling concessions. The underwriting commission was determined between our Company and the Underwriters after arm's length negotiations with reference to current market conditions.

In connection with the Listing, the Sponsor will receive a sponsorship and documentation fee.

Assuming the Offer Price of HK\$0.25 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the total expenses in connection with the Listing and the Share Offer are estimated to be approximately HK\$21.6 million (including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the listing fee, the legal and other professional fees, printing cost and other expenses relating to the Share Offer) of which approximately HK\$10.8 million and HK\$10.8 million shall be borne by our Company and the Vendor, respectively.

Our Company has agreed to indemnify the Joint Lead Managers and the other Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreements, and any breach by our Company of the Underwriting Agreements.

INDEPENDENCE OF THE SPONSOR

The Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

Sponsor's, Joint Lead Managers' and Underwriters' interest in our Company

The Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until despatch of the audited consolidated financial results for the first full financial year after the Listing Date, and our Company will pay to the Sponsor an agreed fee for its provision of services with the scope required under the Listing Rules.

Save for their interests and obligations under the Underwriting Agreements and the advisory and documentation fee payable to the Sponsor in respect of the Share Offer, none of the Sponsor, the Joint Lead Managers and the Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

STRUCTURE OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer consists of:

- (i) the Public Offer of 57,200,000 Shares (subject to re-allocation as mentioned below) in Hong Kong as described below in the paragraph headed “The Public Offer” in this section; and
- (ii) the Placing of 514,800,000 Shares (comprising 228,800,000 new Shares and 286,000,000 Sale Shares initially offered by our Company and the Vendor, respectively) (subject to re-allocation as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S as described below in the paragraph headed “The Placing” in this section.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “The Public Offer — Reallocation” in this section.

THE PUBLIC OFFER

Number of Shares initially offered

We are initially offering 57,200,000 Shares at the Offer Price, representing 10% of the Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.5% of our Company’s enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, and without taking into account Shares issuable upon exercise of options as may be granted under the Share Option Scheme.

The Public Offer is open to members of the public in Hong Kong as well as to institutional or professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer” in this section.

Allocation

The total number of Public Offer Shares available under the Public Offer will initially be divided equally into two pools for allocation purposes as follows:

- (i) Pool A: The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares each with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of HK\$5 million or less.

STRUCTURE OF THE SHARE OFFER

- (ii) Pool B: The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares each with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of more than HK\$5 million and up to the value of Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are under-subscribed, the unsubscribed Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of the Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 28,600,000 Public Offer Shares (being 50% of the Public Offer Shares initially available under the Public Offer) are liable to be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered under the Share Offer if certain prescribed total demand levels are reached. In the event of over-applications in the Public Offer, the Joint Lead Managers shall apply a clawback mechanism following the closing of the application lists on the following basis:

- If the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 171,600,000 Offer Shares, representing 30% of the Offer Shares initially available under the Share Offer;
- If the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 228,800,000 Offer Shares, representing 40% of the Offer Shares initially available under the Share Offer; and

STRUCTURE OF THE SHARE OFFER

- If the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 286,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Share Offer.

In each case, based on the additional Offer Shares reallocated to the Public Offer, the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Joint Lead Managers deem appropriate. In addition, the Joint Lead Managers may in their sole and absolute discretion reallocate Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

If the Public Offer is not fully subscribed, the Joint Lead Managers will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares in such amount as the Joint Lead Managers deem appropriate.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 514,800,000 Shares (comprising 228,800,000 new Shares and 286,000,000 Sale Shares), representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issue share capital immediately after the completion of the Capitalisation Issue and the Share Offer, and without taking into account Shares issuable upon exercise of options granted under the Share Option Scheme,

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company and the Vendor by the Placing Underwriters or through selling agents appointed by them. Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book-building process described in the paragraph headed "Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to

STRUCTURE OF THE SHARE OFFER

the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Lead Managers may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Lead Managers so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

PRICING AND ALLOCATION

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the Share Offer will be fixed on the Price Determination Date, which is expected to be on or around Thursday, 27 August 2015, and in any event on or before Friday, 28 August 2015, by agreement between Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Vendor).

Offer Price range

The Offer Price will be not more than HK\$0.28 per Share and is expected to be not less than HK\$0.22 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.28 for each Public Offer Share (plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee).

If, for any reason, our Company (for ourselves and on behalf of the Vendor) and Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Friday, 28 August 2015, the Share Offer will not proceed and will lapse.

Change to the Offer Price range and/or change in the number of Offer Shares

The Joint Lead Managers (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the Placing, and with the consent of our Company (for ourselves and on behalf of the Vendor), change the number of the Offer Shares initially offered

STRUCTURE OF THE SHARE OFFER

in the Share Offer and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of Wednesday, 26 August 2015, being the date on which the application lists close in accordance with the provisions set out in the section headed “How to Apply for the Public Offer Shares” of this prospectus (the “**Acceptance Date**”).

In this case, we shall cause to be published:

- (a) a notice of the change in the same newspapers which the formal notice had been published (together with any other newspapers as we and the Joint Lead Managers (on behalf of the Underwriter) may agree. The notice will include a confirmation or revision, as appropriate, of the working capital statement and the Public Offer statistics and any other financial information in this prospectus which may change as a result of any such change; and
- (b) such supplemental offering documents as may be required by laws of any governmental authority to be published in such manner as the relevant laws or governmental authority may require as soon as practicable following the decision to make the change,

and not later than the morning of the Acceptance Date.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants who have submitted their applications for Public Offer Shares before such an announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any such announcement so published, the number of Offer Shares will not be reduced, and/or the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Vendor), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, Joint Lead Managers may, at their discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between them at the discretion of Joint Lead Managers.

Announcement of Offer Price and basis of allocations

The final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Tuesday, 1 September 2015 in The Standard (in English) and Sing Tao Daily (in Chinese) and to be posted on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.leapholdings.hk.

STRUCTURE OF THE SHARE OFFER

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriter under the terms of the Public Offer Underwriting Agreement and is subject to our Company (for ourselves and on behalf of the Vendor) and Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), agreeing on the Offer Price.

We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date.

These underwriting arrangements and the Underwriting Agreements are summarised in the section headed “Underwriting” of this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (including the Shares issuable upon exercise of options which may be granted under the Share Option Scheme);
- (ii) the Offer Price having been duly agreed between us (for ourselves and on behalf of the Vendor) and Joint Lead Managers (for themselves and on behalf of the Underwriters);
- (iii) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Vendor) and Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before Friday, 28 August 2015, the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Public Offer to be published by us in The Standard (in English) and Sing Tao Daily (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.leapholdings.hk on the next business day following such lapse. In such event, all application monies will be returned, without interest, on the terms set

STRUCTURE OF THE SHARE OFFER

out in the section headed “How to Apply for the Public Offer Shares” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Tuesday, 1 September 2015 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on Wednesday, 2 September 2015, provided that the Share Offer has become unconditional in all respects; and the right of termination as described in the section headed “Underwriting” has not been exercised.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made for the Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 2 September 2015, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 2 September 2015.

The Shares will be traded in board lots of 10,000 Shares each.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Lead Managers and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participated in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. from Friday, 21 August 2015 until 12:00 noon on Wednesday, 26 August 2015 from:

- (i) any of the following offices of the Public Offer Underwriters:

CNI Securities Group Limited 10th Floor, Sun's Group Centre
200 Gloucester Road
Wanchai, Hong Kong

TC Capital Asia Limited Suites 1903–1904, 19th Floor
Tower 6, The Gateway
Harbour City
9 Canton Road
Tsim Sha Tsui
Kowloon, Hong Kong

- (ii) any of the following branches of the receiving bank:

District	Branch Name	Address
Hong Kong Island	Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

District	Branch Name	Address
Kowloon	Tsimshatsui Branch	G/F, 8A-10 Granville Road, Tsimshatsui
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
New Territories	Tai Po Branch	G/F Shop No. 2, 23-25 Kwong Fuk Road, Tai Po Market, Tai Po
	Metroplaza Branch	Shop No. 175-176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 21 August 2015 until 12:00 noon on Wednesday, 26 August 2015 from the Depository Counter of HKSCC at 1st Floor, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED — LEAP HOLDINGS PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Friday, 21 August 2015 – 9:00 a.m. to 5:00 p.m.
- Saturday, 22 August 2015 – 9:00 a.m. to 1:00 p.m.
- Monday, 24 August 2015 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 25 August 2015 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 26 August 2015 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 26 August 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Vendor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Vendor, our Hong Kong Share Registrar, receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Vendor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company (for ourselves and on behalf of the Vendor) and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Vendor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective directors, officers or representatives or any other person or party involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form to HKSCC or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, the Vendor, our Directors, the Joint Bookrunner, the Joint Lead Managers and the Underwriter, any of their respective directors, officers or representatives or any other person or party involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Vendor, the Joint Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Vendor, our Hong Kong Share Registrar, receiving bank, the Joint Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, 21 August 2015 – 9:00 a.m. to 8:30 p.m.¹
- Saturday, 22 August 2015 – 8:00 a.m. to 1:00 p.m.¹
- Monday, 24 August 2015 – 8:00 a.m. to 8:30 p.m.¹
- Tuesday, 25 August 2015 – 8:00 a.m. to 8:30 p.m.¹
- Wednesday, 26 August 2015 – 8:00 a.m.¹ to 12:00 noon.

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m., Friday, 21 August 2015 until 12:00 noon, Wednesday, 26 August 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon, Wednesday, 26 August 2015, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit.

Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Vendor, our Hong Kong Share Registrar, the receiving banks, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Vendor, our Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 26 August 2015.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC). For further details on the Offer Price, see the section headed “Structure of the Share Offer – Pricing and Allocation”.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 26 August 2015.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 26 August 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 1 September 2015 in The Standard (in English) and Sing Tao Daily (in Chinese), on our Company’s website at www.leapholdings.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.leapholdings.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Tuesday, 1 September 2015;
- from the designated results of allocations website at www.unioniporesults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 1 September 2015 to 12:00 midnight on Monday, 7 September 2015;
- by telephone enquiry line by calling +852 3443 6133 between 9:00 a.m. and 6:00 p.m. from Tuesday, 1 September 2015 to Monday, 7 September 2015 (excluding Saturday, Sunday and Public Holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 1 September 2015 to Friday, 4 September 2015 at the designated receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure of the Share Offer” in this prospectus. You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Joint Lead Managers, and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Lead Managers believe(s) that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.28 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed "Structure of the Share Offer – The Public Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 1 September 2015.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, 1 September 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 2 September 2015 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 1 September 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 1 September 2015, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 1 September 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 1 September 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 1 September 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 1 September 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" above on Tuesday, 1 September 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 1 September 2015 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 1 September 2015. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 1 September 2015.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from our Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of our Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

21 August 2015

The Directors
LEAP Holdings Group Limited
TC Capital Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") regarding LEAP Holdings Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the years ended 31 March 2013, 2014 and 2015 (the "**Track Record Period**"), for inclusion in the prospectus of the Company dated 21 August 2015 (the "**Prospectus**") in connection with the proposed listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company, which acts as an investment holding company, was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 15 May 2015. Through a corporate reorganisation as more fully explained in the paragraph headed "Corporate Reorganisation" in Appendix IV "Statutory and General Information" to the Prospectus (the "**Reorganisation**"), the Company became the holding company of the companies now comprising the Group on 23 July 2015.

As at the date of this report, the Company has the following wholly-owned subsidiaries:

Name of subsidiary	Legal form, date and place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities
Glory Port International Limited (" Glory Port ")	Limited liability company incorporated on 23 January 2015, the British Virgin Islands (the "BVI")	US\$1	100% (direct)	Investment holding
Full State Developments Limited (" Full State ")	Limited liability company incorporated on 13 February 2015, the BVI	US\$1	100% (indirect)	Investment holding

Name of subsidiary	Legal form, date and place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities
Jia Jian Global Limited (“ Jia Jian ”)	Limited liability company incorporated on 13 February 2015, the BVI	US\$1	100% (indirect)	Investment holding
Joint Wealth Global Limited (“ Joint Wealth ”)	Limited liability company incorporated on 13 February 2015, the BVI	US\$1	100% (indirect)	Investment holding
Progressive Foundation Company Limited (“ Progressive Foundation ”)	Limited liability company incorporated on 11 May 2012, Hong Kong	HK\$100	100% (indirect)	Provision of foundation engineering works and project management business
Bright Access (HK) Limited (“ Bright Access ”)	Limited liability company incorporated on 20 October 2008, Hong Kong	HK\$100	100% (indirect)	Foundation business
Chung Shun Construction Limited (“ Chung Shun ”)	Limited liability company incorporated on 21 November 2001, Hong Kong	HK\$100	100% (indirect)	Provision of construction works, which included foundation works and ancillary services, and heavy duty machines business
Win Target Engineering Limited (“ Win Target ”)	Limited liability company incorporated on 6 December 2012, Hong Kong	HK\$10,000	100% (indirect)	Foundation engineering works business

All companies now comprising the Group have adopted 31 March as their financial year end date.

No audited statutory financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement and the Company has not carried on any business other than those transactions relating to the Reorganisation.

No audited statutory financial statements have been prepared for Glory Port, Full State, Jia Jian and Joint Wealth since their dates of incorporation as they were incorporated in a country where there is no statutory audit requirement.

The statutory financial statements of Progressive Foundation, Bright Access and Chung Shun for the following financial years, which were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard (“SME-FRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), were audited by the following Hong Kong Certified Public Accountants.

Name of entity	Financial year	Auditors
Progressive Foundation	For the period from 11 May 2012 (date of incorporation) to 31 March 2013 For the year ended 31 March 2014	Tseung & Ng (CPA) Limited RAY K. W. LUI & CO.
Bright Access	For the year ended 31 March 2013 For the year ended 31 March 2014	RAY K. W. LUI & CO. RAY K. W. LUI & CO.
Chung Shun	For the year ended 31 March 2014	RAY K. W. LUI & CO.

The statutory financial statements of Chung Shun for the year ended 31 March 2013 and Win Target for the period from 6 December 2012 (date of incorporation) to 31 March 2014, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA, were audited by CHAN & LO and Alliance & Associates, Certified Public Accountants, Hong Kong, respectively.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Track Record Period (the “**Underlying Financial Statements**”) in accordance with HKFRSs issued by the HKICPA.

We have undertaken an independent audit on the Underlying Financial Statements for the Track Record Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis set out in Note 1 of Section II below, and no adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 of Section II below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 March 2013, 2014 and 2015, and of the combined results and combined cash flows of the Group for the Track Record Period.

I FINANCIAL INFORMATION OF THE GROUP

The following is the Financial Information of the Group as at 31 March 2013, 2014 and 2015 and for each of the years ended 31 March 2013, 2014 and 2015, presented on the basis set out in Note 1 of Section II below:

Combined statements of profit or loss and other comprehensive income

	Note	Year ended 31 March		
		2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Revenue	5	234,752	238,541	305,313
Cost of sales	6	<u>(199,873)</u>	<u>(203,346)</u>	<u>(242,982)</u>
Gross profit		34,879	35,195	62,331
Other income and net gains	5	907	731	6,245
Administrative and other operating expenses	6	<u>(10,465)</u>	<u>(9,552)</u>	<u>(17,722)</u>
Operating profit		25,321	26,374	50,854
Finance costs	9	<u>(1,064)</u>	<u>(1,201)</u>	<u>(1,361)</u>
Profit before income tax		24,257	25,173	49,493
Income tax expense	10	<u>(4,004)</u>	<u>(4,114)</u>	<u>(7,872)</u>
Profit and total comprehensive income for the year		<u>20,253</u>	<u>21,059</u>	<u>41,621</u>
Profit and total comprehensive income attributable to:				
Owners of the Company		19,421	19,348	38,499
Non-controlling interests		<u>832</u>	<u>1,711</u>	<u>3,122</u>
Profit and total comprehensive income for the year		<u>20,253</u>	<u>21,059</u>	<u>41,621</u>
Basic and diluted earnings per share	11	<u>HK cents 0.97</u>	<u>HK cents 0.97</u>	<u>HK cents 1.92</u>

Details of dividends are disclosed in Note 12 to the Financial Information.

Combined statements of financial position

		As at 31 March		
	Note	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	37,319	34,115	49,982
Current assets				
Trade and other receivables	15	46,855	65,086	86,990
Gross amounts due from customers for contract work	16	3,108	3,416	6,431
Amounts due from directors	17	1,098	3,848	9,988
Cash and bank balances	18	8,733	5,492	22,543
		59,794	77,842	125,952
Total assets		97,113	111,957	175,934
EQUITY				
Capital and reserves				
Combined capital	19	1	1	1
Retained earnings		24,830	44,178	86,176
		24,831	44,179	86,177
Non-controlling interests		1,016	2,727	–
Total equity		25,847	46,906	86,177
LIABILITIES				
Non-current liabilities				
Borrowings	20	6,752	7,452	8,235
Deferred tax liabilities	21	2,282	3,459	5,263
		9,034	10,911	13,498
Current liabilities				
Trade and other payables	22	24,866	22,068	36,655
Gross amounts due to customers for contract work	16	6,987	7,707	10,371
Amount due to a director	17	9,003	1,881	–
Borrowings	20	17,930	16,101	17,455
Current income tax liabilities		3,446	6,383	11,778
		62,232	54,140	76,259
Total liabilities		71,266	65,051	89,757
Total equity and liabilities		97,113	111,957	175,934
Net current (liabilities)/assets		(2,438)	23,702	49,693
Total assets less current liabilities		34,881	57,817	99,675

Combined statements of changes in equity

	Attributable to owners of the Company			Non-controlling interests HK\$'000	Total equity HK\$'000
	Combined capital HK\$'000 (Note 19)	Retained earnings HK\$'000	Subtotal HK\$'000		
Balance at 1 April 2012	1	5,409	5,410	181	5,591
Profit and total comprehensive income for the year	–	19,421	19,421	832	20,253
Capital contribution from non-controlling interests	1	24,830	24,831	1,013	25,844
	–	–	–	3	3
Balance at 31 March 2013	<u>1</u>	<u>24,830</u>	<u>24,831</u>	<u>1,016</u>	<u>25,847</u>
Balance at 1 April 2013	1	24,830	24,831	1,016	25,847
Profit and total comprehensive income for the year	–	19,348	19,348	1,711	21,059
Balance at 31 March 2014	<u>1</u>	<u>44,178</u>	<u>44,179</u>	<u>2,727</u>	<u>46,906</u>
Balance at 1 April 2014	1	44,178	44,179	2,727	46,906
Profit and total comprehensive income for the year	–	38,499	38,499	3,122	41,621
Dividends paid to non-controlling interests	1	82,677	82,678	5,849	88,527
Acquisitions of non-controlling interests	–	–	–	(390)	(390)
– Chung Shun (Note 28(a))	–	4,297	4,297	(4,297)	–
– Win Target (Note 28(b))	–	(798)	(798)	(1,162)	(1,960)
Balance at 31 March 2015	<u>1</u>	<u>86,176</u>	<u>86,177</u>	<u>–</u>	<u>86,177</u>

Combined statements of cash flows

	Note	Year ended 31 March		
		2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Cash flows from operating activities				
Net cash generated from operations	23	23,001	17,611	51,447
Tax paid		–	–	(673)
Interest paid on bank overdrafts		(122)	(223)	(347)
Net cash generated from operating activities		<u>22,879</u>	<u>17,388</u>	<u>50,427</u>
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment		1,260	2,385	4,734
Purchases of property, plant and equipment		(19,909)	(8,415)	(20,587)
Interest received		1	4	1
Net cash used in investing activities		<u>(18,648)</u>	<u>(6,026)</u>	<u>(15,852)</u>
Cash flows from financing activities				
Dividends paid to non-controlling interests		–	–	(390)
Increase/(Decrease) in amount due to a director		1,780	(7,122)	(1,881)
Acquisition of non-controlling interests		–	–	(1,960)
Inception of finance leases		–	3,115	–
Repayment of finance leases		(2,773)	(6,601)	(10,673)
Drawdown of bank borrowings		13,886	6,000	–
Repayment of bank borrowings		(15,023)	(10,741)	(1,181)
Interest paid on finance leases		(439)	(711)	(920)
Interest paid on bank borrowings		(503)	(267)	(94)
Net cash used in financing activities		<u>(3,072)</u>	<u>(16,327)</u>	<u>(17,099)</u>
Net increase/(decrease) in cash and cash equivalents		1,159	(4,965)	17,476
Cash and cash equivalents at beginning of year		<u>4,486</u>	<u>5,645</u>	<u>680</u>
Cash and cash equivalents at end of year		<u><u>5,645</u></u>	<u><u>680</u></u>	<u><u>18,156</u></u>
Analysis of cash and cash equivalents				
Cash and bank balances	18	8,733	5,492	22,543
Bank overdrafts	20	(3,088)	(4,812)	(4,387)
		<u><u>5,645</u></u>	<u><u>680</u></u>	<u><u>18,156</u></u>

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PRESENTATION OF THE FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 May 2015 as an exempted company with limited liability. Its parent and ultimate holding company is Grand Jade Group Limited, a company incorporated in the BVI and wholly-owned by Mr. Chan Wing Chung (“**Mr. Chan**”) and Mr. Ip Ying Chau (“**Mr. Ip**”), the controlling shareholders of the Company.

The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the Prospectus. The Company is an investment holding company. The Group is principally engaged in provision of foundation works and ancillary services and construction wastes handling.

Throughout the Track Record Period, the group entities were under the control of Mr. Chan and Mr. Ip. Through the Reorganisation as more fully explained in the paragraph headed “Corporate Reorganisation” in Appendix IV “Statutory and General Information” to the Prospectus, the Company became the holding company of the companies now comprising the Group on 23 July 2015. Accordingly, for the purpose of the preparation of the Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Chan and Mr. Ip prior to and after the Reorganisation.

The Financial Information has been prepared as if the Company had been the holding company of the Group throughout the Track Record Period in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. The combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows for the Track Record Period, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The combined statement of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

The Financial Information is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of presentation

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with the HKFRSs issued by the HKICPA are set out below. The Financial Information set out in this report has been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of the Financial Information in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4 below.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new or revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the Track Record Period and which the Group has not early adopted:

		Effective for accounting periods of the Group beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Amendments to HKAS 1	Disclosure Initiative	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants	1 January 2016
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions	1 July 2014
Amendments to HKAS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date for HKFRS 9 and Transition Disclosures	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle	1 July 2014
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle	1 July 2014
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016

The Group will adopt these new standards, amendments and interpretations in the period of initial application. It is not expected to have a significant impact on the Group's result of operations and its financial position.

(b) Consolidation and combination

The combined financial information includes the financial information of the Company and all its subsidiaries made up to respective year end dates during the Track Record Period.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured

initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Transaction with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Merger accounting for common control combinations

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The combined statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting reported to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

(f) Foreign currency translation

Functional and presentation currency

Items included in the financial statement of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in HK\$, which is the Company's functional and presentation currency.

(g) Property, plant and equipment

The property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. 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 the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or lease term, where applicable, as follows:

Leasehold improvements	Over lease term
Furniture, fixtures and office equipment	20%
Machinery and equipment	20%
Motor vehicles	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 disposals are determined by comparing the proceeds with the carrying amount and are recognised in the combined statement of profit or loss and other comprehensive income.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Leases

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

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments.

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.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the combined statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(j) Construction contracts

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 by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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.

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

The Group uses the “percentage-of-completion method” to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

On the combined statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

(k) Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise “trade and other receivables”, “amounts due from directors” and “cash and bank balances” in the combined statement of financial position.

(l) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(m) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(n) Cash and cash equivalents

In the combined statement of cash flow, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

(o) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(r) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

The Group operates a defined contribution plan and pays contributions to a privately administered pension insurance plan on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

(u) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

(v) Contingent liabilities and contingent assets

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

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(w) Revenue recognition

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

(a) *Foundation works and ancillary services income*

Revenue from construction contracts is recognised based on the stage of completion of the contracts as detailed in note 2(j) above.

(b) *Construction wastes handling services income*

Revenue from provision of construction wastes handling services are recognised on completion of the related services rendered to the customer.

(c) *Interest income*

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

(d) *Rental income*

Rental income from lease of machinery is recognised based on the straight-line basis over the lease terms.

(x) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced depreciation charge.

(y) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial information in the period in which the dividends are declared by the directors in case of interim dividends or approved by the Company's shareholders in case of final dividends.

3 FINANCIAL RISK MANAGEMENT**(a) Financial risk factors**

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Interest rate risk

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

The Group's interest rate risk arises from borrowings. Borrowings obtained with variable rates expose the Group to cash flow interest rate risk which is partially offset by cash deposited at variable rates. The Group has not hedged its cash flow interest rate risks.

As at 31 March 2013, 2014 and 2015, if the interest rate on all variable-rate borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's profit after income tax for the year would have been decreased/increased by approximately HK\$103,000, HK\$79,000 and HK\$91,000 respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

(ii) Credit risk

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

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

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the 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 2013, 2014 and 2015, there were four, four and three customers which individually contributed over 10% of the Group's trade and other receivables, respectively. The aggregate amounts of trade and other receivables from these customers amounted to 62%, 60% and 57% of the Group's total trade and other receivables as at 31 March 2013, 2014 and 2015 respectively.

(iii) Liquidity risk

The 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 long term. Management believes there is no significant liquidity risk as the 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 the 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 rates at the year end dates during the Track Record Period) and the earliest date the Group may be required to pay:

	On demand or within one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Total HK\$'000
At 31 March 2013				
Trade and other payables	24,866	–	–	24,866
Finance lease liabilities	6,430	3,267	3,924	13,621
Amount due to a director	9,003	–	–	9,003
Borrowings (excluding finance lease liabilities)	<u>12,562</u>	<u>–</u>	<u>–</u>	<u>12,562</u>
	<u><u>52,861</u></u>	<u><u>3,267</u></u>	<u><u>3,924</u></u>	<u><u>60,052</u></u>
At 31 March 2014				
Trade and other payables	22,068	–	–	22,068
Finance lease liabilities	7,637	4,765	3,041	15,443
Amount due to a director	1,881	–	–	1,881
Borrowings (excluding finance lease liabilities)	<u>9,371</u>	<u>–</u>	<u>–</u>	<u>9,371</u>
	<u><u>40,957</u></u>	<u><u>4,765</u></u>	<u><u>3,041</u></u>	<u><u>48,763</u></u>
At 31 March 2015				
Trade and other payables	36,655	–	–	36,655
Finance lease liabilities	10,560	5,524	3,000	19,084
Borrowings (excluding finance lease liabilities)	<u>7,675</u>	<u>–</u>	<u>–</u>	<u>7,675</u>
	<u><u>54,890</u></u>	<u><u>5,524</u></u>	<u><u>3,000</u></u>	<u><u>63,414</u></u>

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities as at each year end divided by the total equity as at each year end.

The gearing ratios during the Track Record Period are as follows:

	As at 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Total borrowings (<i>Note 20</i>)	24,682	23,553	25,690
Total equity	25,847	46,906	86,177
Gearing ratio	95%	50%	30%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives and impairment of property, plant and equipment

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

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

Impairment of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management judgement is required in the area of asset impairment particularly in assessing; (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of the operations.

(b) Impairment of receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at the end of each financial period.

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

(c) Percentage of completion of construction works

The Group recognises its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

5 REVENUE AND SEGMENT INFORMATION

Revenue and other income and net gains recognised during the respective years are as follows:

	Year ended 31 March		
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue			
Foundation works and ancillary services	171,898	169,789	241,445
Rental income	1,841	281	2,308
Construction wastes handling	61,013	68,471	61,560
	<u>234,752</u>	<u>238,541</u>	<u>305,313</u>
Other income and net gains			
Interest income	88	92	89
Gain/(Loss) on disposal of plant and equipment	725	(274)	181
Government grants (<i>Note</i>)	–	56	5,717
Others	94	857	258
	<u>907</u>	<u>731</u>	<u>6,245</u>

Note: There are no unfulfilled conditions or contingencies relating to these grants.

Segment information

Management has determined the operating segments based on the reports reviewed by the directors of the Company, the chief operating decision-maker, that are used to make strategic decisions. The directors consider the business from a product/service perspective. Principal activities of the segments are as follows:

Foundation works and ancillary services: Provision of site formation works, excavation and lateral support works, piling construction, pile caps or footing construction and reinforced concrete structure works and ancillary services mainly included hoarding and demolition works and lease of machinery.

Construction wastes handling: Provision of management and operation of public fill reception facilities, including public fill banks and temporary construction waste sorting facilities, for construction and demolition materials.

Segment revenue is measured in a manner consistent with that in the combined statements of profit or loss and other comprehensive income.

The directors assess the performance of the operating segments based on a measure of segment results. Unallocated income, unallocated corporate expenses, finance costs, income tax expense and other major items that are isolated and non-recurring in nature are not included in segment results.

Segment assets mainly consist of current assets and non-current assets as disclosed in the combined statement of financial position except unallocated cash and bank balances, amounts due from directors and other unallocated assets.

Segment liabilities mainly consist of current liabilities and non-current liabilities as disclosed in the combined statement of financial position except amount due to a director, current income tax liabilities, deferred tax liabilities, borrowings and other unallocated liabilities.

	Foundation works and ancillary services HK\$'000	Construction wastes handling HK\$'000	Total HK\$'000
Year ended 31 March 2013			
Revenue			
External revenue	173,739	61,013	234,752
Segment results	32,174	2,705	34,879
Unallocated income			907
Unallocated corporate expenses			(10,465)
Finance costs			(1,064)
Profit before income tax			24,257
Income tax expense			(4,004)
Profit for the year			20,253
Included in segment results are:			
Depreciation	5,764	6,678	12,442
At 31 March 2013			
Segment assets	62,812	21,505	84,317
Unallocated assets			12,796
Total assets			97,113
Additions to non-current asset:			
Segment assets	19,620	9,699	29,319
Unallocated assets			345
			29,664
Segment liabilities	21,640	8,818	30,458
Unallocated liabilities			10,398
Borrowings			24,682
Current income tax liabilities			3,446
Deferred tax liabilities			2,282
Total liabilities			71,266

	Foundation works and ancillary services <i>HK\$'000</i>	Construction wastes handling <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2014			
Revenue			
External revenue	<u>170,070</u>	<u>68,471</u>	<u>238,541</u>
Segment results	<u>31,909</u>	<u>3,286</u>	35,195
Unallocated income			731
Unallocated corporate expenses			(9,552)
Finance costs			<u>(1,201)</u>
Profit before income tax			25,173
Income tax expense			<u>(4,114)</u>
Profit for the year			<u>21,059</u>
Included in segment results are:			
Depreciation	<u>7,257</u>	<u>5,326</u>	<u>12,583</u>
At 31 March 2014			
Segment assets	78,006	21,272	99,278
Unallocated assets			<u>12,679</u>
Total assets			<u>111,957</u>
Additions to non-current asset:			
Segment assets	12,008	1,533	13,541
Unallocated assets			<u>248</u>
			<u>13,789</u>
Segment liabilities	21,896	5,719	27,615
Unallocated liabilities			4,041
Borrowings			23,553
Current income tax liabilities			6,383
Deferred tax liabilities			<u>3,459</u>
Total liabilities			<u>65,051</u>

	Foundation works and ancillary services <i>HK\$'000</i>	Construction wastes handling <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2015			
Revenue			
External revenue	243,753	61,560	305,313
Segment results	58,915	3,416	62,331
Unallocated income			6,245
Unallocated corporate expenses			(17,722)
Finance costs			(1,361)
Profit before income tax			49,493
Income tax expense			(7,872)
Profit for the year			41,621
Included in segment results are:			
Depreciation	9,748	3,606	13,354
At 31 March 2015			
Segment assets	122,746	17,217	139,963
Unallocated assets			35,971
Total assets			175,934
Additions to non-current asset:			
Segment assets	26,941	7,540	34,481
Unallocated assets			522
			35,003
Segment liabilities	40,018	1,579	41,597
Unallocated liabilities			5,429
Borrowings			25,690
Current income tax liabilities			11,778
Deferred tax liabilities			5,263
Total liabilities			89,757

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. The Group's major operations and markets are located in Hong Kong, no geographical segment information is provided.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 March		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Customer A ¹	61,013	57,479	N/A ³
Customer B ²	53,065	N/A ³	N/A ³
Customer C ²	28,150	N/A ³	N/A ³
Customer D ²	28,462	N/A ³	N/A ³
Customer E ²	N/A ³	51,092	121,133
Customer F ²	N/A ³	31,320	35,877
Customer G ¹	N/A ³	N/A ³	61,560
	<u> </u>	<u> </u>	<u> </u>

¹ Revenue from construction wastes handling.

² Revenue from foundation works and ancillary services.

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6 EXPENSES BY NATURE

	Year ended 31 March		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Cost of sales			
Costs of construction materials and supplies	46,990	45,317	52,075
Staff costs (<i>Note 7</i>)	50,554	62,188	61,051
Consultancy fee	3,500	4,021	3,523
Parts and consumables	7,092	4,284	6,313
Subcontracting charges	55,731	44,679	68,164
Transportation	4,902	5,324	10,070
Depreciation of owned assets (<i>Note 13</i>)	8,666	7,013	7,798
Depreciation of leased assets (<i>Note 13</i>)	3,776	5,570	5,556
Repair and maintenance	5,950	6,304	5,851
Machine rental	3,598	9,009	7,751
Survey fee	1,103	1,279	2,164
Site management fee	3,788	4,604	8,187
Insurance	382	958	1,172
Waste handling charges	2,691	1,265	2,032
Other expenses	1,150	1,531	1,275
	<u> </u>	<u> </u>	<u> </u>
	<u>199,873</u>	<u>203,346</u>	<u>242,982</u>

	Year ended 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Administrative and other operating expenses			
Auditors' remuneration	107	204	300
Depreciation of owned assets (<i>Note 13</i>)	1,469	1,751	1,229
Entertainment	1,921	1,480	850
Insurance	194	302	298
Listing expenses	–	–	3,822
Operating lease rental on premises	190	202	1,139
Staff costs, including directors' emoluments (<i>Note 7</i>)	4,587	4,835	7,556
Other expenses	1,087	778	2,241
Impairment on trade receivables	910	–	287
	<u>10,465</u>	<u>9,552</u>	<u>17,722</u>

7 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Salaries and allowances	52,906	64,349	65,870
Retirement scheme contributions – defined contribution plan	<u>2,235</u>	<u>2,674</u>	<u>2,737</u>
	<u>55,141</u>	<u>67,023</u>	<u>68,607</u>

The Group operates a defined contribution scheme in Hong Kong which complies with the requirements under the Mandatory Provident Fund (“MPF”) Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

8 DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director for the Track Record Period is set out below:

	Fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Year ended 31 March 2013					
<i>Executive directors</i>					
Mr. Chan Chiang Kan ("Mr. Chan C.K.")	-	480	60	10	550
Mr. Chan	-	325	536	6	867
Mr. Ip	-	325	536	6	867
	<u>-</u>	<u>1,130</u>	<u>1,132</u>	<u>22</u>	<u>2,284</u>
Year ended 31 March 2014					
<i>Executive directors</i>					
Mr. Chan C.K.	-	720	120	15	855
Mr. Chan	-	780	500	15	1,295
Mr. Ip	-	780	500	15	1,295
	<u>-</u>	<u>2,280</u>	<u>1,120</u>	<u>45</u>	<u>3,445</u>
Year ended 31 March 2015					
<i>Executive directors</i>					
Mr. Chan C.K.	-	678	53	18	749
Mr. Chan	-	780	-	18	798
Mr. Ip	-	780	-	18	798
Ms. Tung Ah Pui Athena ("Ms. Tung")	-	343	50	9	402
	<u>-</u>	<u>2,581</u>	<u>103</u>	<u>63</u>	<u>2,747</u>

Mr. Chan C.K., Mr. Chan, Mr. Ip and Ms. Tung were appointed as executive directors of the Company on 15 May 2015. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the Track Record Period and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company on 15 May 2015.

Mr. Cheung Kwok Yan, Wilfred, Mr. Feng Zhidong and Mr. Ho Ho Ming were appointed as independent non-executive directors of the Company on 12 August 2015. During the Track Record Period, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of directors.

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Period.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, three of them are directors for the Track Record Period whose emoluments are disclosed above. The emoluments in respect of the remaining two individuals for the Track Record Period are as follows:

	Year ended 31 March		
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Salaries and allowances	720	1,198	1,392
Discretionary bonuses	140	120	116
Retirement scheme contributions	<u>26</u>	<u>30</u>	<u>34</u>
	<u>886</u>	<u>1,348</u>	<u>1,542</u>

The emoluments fell within the following band:

	Number of individuals Year ended 31 March		
	2013	2014	2015
Emolument band (in HK\$)			
Nil–HK\$1,000,000	<u>2</u>	<u>2</u>	<u>2</u>

During the Track Record Period, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group.

9 FINANCE COSTS

	Year ended 31 March		
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on finance leases	439	711	920
Interest on bank overdrafts and bank borrowings wholly repayable within 5 years	524	392	394
Interest on bank borrowings not wholly repayable within 5 years	<u>101</u>	<u>98</u>	<u>47</u>
	<u>1,064</u>	<u>1,201</u>	<u>1,361</u>

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit arising in or derived from Hong Kong for the Track Record Period.

	Year ended 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Hong Kong profits tax			
Current income tax	2,859	2,937	6,068
Deferred income tax (Note 21)	<u>1,145</u>	<u>1,177</u>	<u>1,804</u>
Income tax expense	<u><u>4,004</u></u>	<u><u>4,114</u></u>	<u><u>7,872</u></u>

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Year ended 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Profit before income tax	<u><u>24,257</u></u>	<u><u>25,173</u></u>	<u><u>49,493</u></u>
Calculated at a tax rate of 16.5%	4,002	4,154	8,166
Income not subject to tax	–	(11)	(959)
Expenses not deductible for tax purposes	12	1	665
Tax concession	<u>(10)</u>	<u>(30)</u>	<u>–</u>
Income tax expense	<u><u>4,004</u></u>	<u><u>4,114</u></u>	<u><u>7,872</u></u>

11 EARNINGS PER SHARE

For the purpose of this report, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company for the Track Record Period and (ii) the weighted average number of 2,002,000,000 shares (comprising 10,000 shares in issue and 2,001,990,000 shares to be issued under the capitalisation issue as described in Appendix IV "Statutory and General Information" to the Prospectus) as if these 2,002,000,000 shares were outstanding throughout the Track Record Period.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary share in issue during the Track Record Period.

12 DIVIDENDS

During the Track Record Period, no dividend was paid or declared by the Company.

During each of the years ended 31 March 2013, 2014 and 2015, Win Target, a subsidiary of the Company, declared and paid interim dividends to its then equity holders amounting to approximately of Nil, Nil and HK\$1,300,000 respectively.

Subsequent to the year ended 31 March 2015, in August 2015, interim dividends of HK\$25,000,000 were appropriated to the then shareholder of the Company.

The rate of dividend and the number of shares ranking for dividend is not presented as such information is not meaningful having regard to the purpose of this report.

13 PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment <i>HK\$'000</i> <i>(Note a)</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i> <i>(Note b)</i>	Total <i>HK\$'000</i>
Cost					
At 1 April 2012	29,482	–	897	18,779	49,158
Additions	13,723	200	143	15,598	29,664
Disposals	(453)	–	–	(810)	(1,263)
At 31 March 2013	<u>42,752</u>	<u>200</u>	<u>1,040</u>	<u>33,567</u>	<u>77,559</u>
Accumulated depreciation					
At 1 April 2012	15,050	–	727	11,280	27,057
Charge for the year <i>(Note 6)</i>	7,640	40	103	6,128	13,911
Disposals	(91)	–	–	(637)	(728)
At 31 March 2013	<u>22,599</u>	<u>40</u>	<u>830</u>	<u>16,771</u>	<u>40,240</u>
Net book value					
At 31 March 2013	<u>20,153</u>	<u>160</u>	<u>210</u>	<u>16,796</u>	<u>37,319</u>
Cost					
At 1 April 2013	42,752	200	1,040	33,567	77,559
Additions	7,790	74	132	5,793	13,789
Disposals	(1,175)	(274)	–	(2,188)	(3,637)
At 31 March 2014	<u>49,367</u>	<u>–</u>	<u>1,172</u>	<u>37,172</u>	<u>87,711</u>
Accumulated depreciation					
At 1 April 2013	22,599	40	830	16,771	40,240
Charge for the year <i>(Note 6)</i>	8,110	–	102	6,122	14,334
Disposals	(235)	(40)	–	(703)	(978)
At 31 March 2014	<u>30,474</u>	<u>–</u>	<u>932</u>	<u>22,190</u>	<u>53,596</u>
Net book value					
At 31 March 2014	<u>18,893</u>	<u>–</u>	<u>240</u>	<u>14,982</u>	<u>34,115</u>
Cost					
At 1 April 2014	49,367	–	1,172	37,172	87,711
Additions	28,688	767	482	5,066	35,003
Disposals	(8,938)	–	–	(13,547)	(22,485)
At 31 March 2015	<u>69,117</u>	<u>767</u>	<u>1,654</u>	<u>28,691</u>	<u>100,229</u>
Accumulated depreciation					
At 1 April 2014	30,474	–	932	22,190	53,596
Charge for the year <i>(Note 6)</i>	9,503	119	158	4,803	14,583
Disposals	(7,632)	–	–	(10,300)	(17,932)
At 31 March 2015	<u>32,345</u>	<u>119</u>	<u>1,090</u>	<u>16,693</u>	<u>50,247</u>
Net book value					
At 31 March 2015	<u>36,772</u>	<u>648</u>	<u>564</u>	<u>11,998</u>	<u>49,982</u>

Notes:

- (a) Machinery and equipment includes the following amounts where the Group is a lessee under finance leases:

	As at 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Cost – capitalised finance leases	3,604	7,989	19,514
Accumulated depreciation	<u>(1,602)</u>	<u>(4,077)</u>	<u>(6,165)</u>
Net book value	<u>2,002</u>	<u>3,912</u>	<u>13,349</u>

- (b) Motor vehicles include the following amounts where the Group is a lessee under finance leases:

	As at 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Cost – capitalised finance leases	15,275	19,861	17,125
Accumulated depreciation	<u>(5,338)</u>	<u>(8,714)</u>	<u>(7,177)</u>
Net book value	<u>9,937</u>	<u>11,147</u>	<u>9,948</u>

14 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Financial assets			
<i>Loans and receivables</i>			
Trade and other receivables excluding prepayments	46,045	64,199	84,689
Amounts due from directors	1,098	3,848	9,988
Cash and bank balances	<u>8,733</u>	<u>5,492</u>	<u>22,543</u>
Total	<u>55,876</u>	<u>73,539</u>	<u>117,220</u>
Financial liabilities			
<i>Financial liabilities at amortised cost</i>			
Trade and other payables	24,866	22,068	36,655
Amount due to a director	9,003	1,881	–
Borrowings (excluding finance lease liabilities)	12,119	9,102	7,496
Finance lease liabilities	<u>12,563</u>	<u>14,451</u>	<u>18,194</u>
Total	<u>58,551</u>	<u>47,502</u>	<u>62,345</u>

15 TRADE AND OTHER RECEIVABLES

	As at 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Trade receivables	29,463	40,962	52,376
Other receivables, deposits and prepayments	4,073	4,519	6,481
Retention receivables	13,319	19,605	28,133
	<u>46,855</u>	<u>65,086</u>	<u>86,990</u>

Notes:

- (a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. The credit period granted to customers is 30 to 75 days generally. Trade receivables are denominated in HK\$.
- (b) The ageing analysis of the trade receivables based on date of revenue recognition is as follows:

	As at 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
0–30 days	21,177	23,459	25,783
31–60 days	4,738	9,131	18,415
61–90 days	798	3,063	4,705
Over 90 days	2,750	5,309	3,473
	<u>29,463</u>	<u>40,962</u>	<u>52,376</u>

Trade receivables of approximately HK\$23,991,000, HK\$32,331,000 and HK\$34,582,000 as at 31 March 2013, 2014 and 2015 respectively were not yet past due and approximately HK\$5,472,000, HK\$8,631,000 and HK\$17,794,000 as at 31 March 2013, 2014 and 2015 respectively were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

Movements in the Group's provision for impairment of trade receivables are as follows:

	As at 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Beginning of the year	–	–	–
Allowance for trade receivables	910	–	287
Trade receivables written off as uncollectible	(910)	–	(287)
End of the year	<u>–</u>	<u>–</u>	<u>–</u>

Except for retention receivables of approximately HK\$10,264,000, HK\$8,141,000 and HK\$12,093,000 as at 31 March 2013, 2014 and 2015 respectively, which are expected to be recovered after one year, all of the remaining retention receivables are expected to be recovered within one year.

- (c) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

16 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	As at 31 March		
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Gross amounts due from customers for contract work			
Contract costs incurred plus recognised profits less recognised losses	19,519	91,320	80,522
Less: Progress billings received and receivable	<u>(16,411)</u>	<u>(87,904)</u>	<u>(74,091)</u>
	<u>3,108</u>	<u>3,416</u>	<u>6,431</u>
	As at 31 March		
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Gross amounts due to customers for contract work			
Progress billings received and receivable	168,562	235,777	223,749
Less: Contract costs incurred plus recognised profits less recognised losses	<u>(161,575)</u>	<u>(228,070)</u>	<u>(213,378)</u>
	<u>6,987</u>	<u>7,707</u>	<u>10,371</u>

All gross amounts due from/to customers for contract work are expected to be recovered/ settled within one year.

17 AMOUNTS DUE FROM/TO DIRECTORS

(a) Amounts due from directors

Name of directors	Maximum outstanding balance during the year ended 31 March			As at 31 March		
	2013	2014	2015	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Chan	–	–	9,844	–	–	5,776
Mr. Ip	1,693	3,848	7,257	<u>1,098</u>	<u>3,848</u>	<u>4,212</u>
				<u>1,098</u>	<u>3,848</u>	<u>9,988</u>

The amounts due were unsecured, non-interest bearing and had no fixed terms of repayment.

(b) Amount due to a director

The amount due was unsecured, non-interest bearing and had no fixed terms of repayment.

18 CASH AND BANK BALANCES

	2013	As at 31 March	2015
	<i>HK\$'000</i>	2014	<i>HK\$'000</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at banks	<u>8,733</u>	<u>5,492</u>	<u>22,543</u>

Notes:

- (a) All cash and bank balances are denominated in HK\$.
- (b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

19 COMBINED CAPITAL

	2013	As at 31 March	2015
	<i>HK\$'000</i>	2014	<i>HK\$'000</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Combined capital	<u>1</u>	<u>1</u>	<u>1</u>

For the purpose of the preparation of the combined statements of financial position, the balance of combined capital at 31 March 2013, 2014 and 2015 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group held by the controlling shareholders of the Company prior to the Reorganisation.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 15 May 2015 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each and one share was issued thereafter.

20 BORROWINGS

	2013	As at 31 March	2015
	<i>HK\$'000</i>	2014	<i>HK\$'000</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current			
Finance lease liabilities (<i>Note b</i>)	<u>6,752</u>	<u>7,452</u>	<u>8,235</u>
Current			
Bank overdrafts (<i>Note a</i>)	3,088	4,812	4,387
Bank borrowings (<i>Note a</i>)	9,031	4,290	3,109
Finance lease liabilities (<i>Note b</i>)	<u>5,811</u>	<u>6,999</u>	<u>9,959</u>
	<u>17,930</u>	<u>16,101</u>	<u>17,455</u>
Total borrowings	<u>24,682</u>	<u>23,553</u>	<u>25,690</u>

Notes:

(a) Bank overdrafts and bank borrowings

The bank overdrafts and bank borrowings are classified as current liabilities according to the HK Interpretation 5, *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* issued by the HKICPA. According to the repayment schedule, the bank overdrafts and bank borrowings are repayable as follows:

	As at 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Bank overdrafts on demand	3,088	4,812	4,387
Within 1 year	4,745	1,177	626
Between 1 and 2 years	1,176	627	641
Between 2 and 5 years	1,924	1,972	1,743
Over 5 years	1,186	514	99
	<u>12,119</u>	<u>9,102</u>	<u>7,496</u>

The carrying amounts of the bank overdrafts and bank borrowings are denominated in the following currencies:

	As at 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
HK\$	10,464	7,698	6,358
US\$	1,655	1,404	1,138
	<u>12,119</u>	<u>9,102</u>	<u>7,496</u>

(b) Finance lease liabilities

Lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

At the end of lease term of certain finance leases the Group has the option to purchase the leased asset at a price deemed to be a bargain purchase option.

Certain machinery and equipment was under finance leases in the form of sale and leaseback arrangements. There was no disposal gain or loss recognised for the transactions as the fair value was not significantly different to the carrying value of the relevant machinery and equipment.

	As at 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Gross finance lease liabilities – minimum lease payments			
Within 1 year	6,430	7,637	10,560
Between 1 and 2 years	3,267	4,765	5,524
Between 2 and 5 years	3,924	3,041	3,000
	<u>13,621</u>	<u>15,443</u>	<u>19,084</u>
Future finance charges on finance leases	(1,058)	(992)	(890)
Present value of finance lease liabilities	<u>12,563</u>	<u>14,451</u>	<u>18,194</u>

The present value of finance lease liabilities is as follows:

	As at 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	5,811	6,999	9,959
Between 1 and 2 years	3,011	4,495	5,314
Between 2 and 5 years	3,741	2,957	2,921
	<u>12,563</u>	<u>14,451</u>	<u>18,194</u>

The finance leases are secured by the Group's machinery and equipment with an aggregate net book value of approximately HK\$2,002,000, HK\$3,912,000 and HK\$13,349,000 and motor vehicles with an aggregate net book value of approximately HK\$9,937,000, HK\$11,147,000 and HK\$9,948,000 as at 31 March 2013, 2014 and 2015 respectively. Finance leases with carrying amounts of HK\$10,021,000, HK\$10,917,000 and HK\$11,771,000 as at 31 March 2013, 2014 and 2015 are guaranteed by personal guarantees given by certain directors of the Company.

The carrying amounts of all finance lease liabilities are denominated in HK\$.

(c) The interest rates per annum of borrowings are as follows:

	As at 31 March		
	2013	2014	2015
Bank overdrafts	6.00% to 6.50%	6.00% to 6.50%	6.00% to 6.50%
Bank borrowings	2.20% to 6.85%	2.20% to 6.00%	2.20% to 2.50%
Finance lease liabilities	<u>3.82% to 7.92%</u>	<u>3.82% to 7.96%</u>	<u>2.88% to 7.96%</u>

(d) As at 31 March 2013, 2014 and 2015, the undrawn banking facilities amounted to approximately HK\$2,912,000, HK\$3,232,000 and HK\$3,113,000 respectively.

(e) These banking facilities are secured/guaranteed by:

- (i) Personal guarantees given by certain directors of the Company and a director of a subsidiary as at 31 March 2013, 2014 and 2015;
- (ii) Certain properties held by a director of the Company as at 31 March 2013, 2014 and 2015;
- (iii) Subordination agreement executed by Chung Shun and a director of the Company to subordinate the director's loan of HK\$5,000,000 as at 31 March 2013;
- (iv) Pledge of life insurance amounting to approximately HK\$2,411,000, HK\$2,446,000 and HK\$2,481,000 as at 31 March 2013, 2014 and 2015, respectively;
- (v) Corporate guarantee provided by Progressive Foundation as at 31 March 2015;
- (vi) Guarantee by The Hong Kong Mortgage Corporation Limited under the SME Financing Guarantee Scheme as at 31 March 2013 and 2014; and
- (vii) Guarantees by the Government of Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme as at 31 March 2013, 2014 and 2015.

21 DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised in the combined statements of financial position and the movements during the Track Record Period are as follows:

Deferred tax arising from:	Depreciation allowances in excess of the related depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2012	(2,380)	1,243	(1,137)
(Charged)/Credited to profit or loss (<i>Note 10</i>)	(1,335)	190	(1,145)
At 31 March 2013 and 1 April 2013	(3,715)	1,433	(2,282)
Credited/(Charged) to profit or loss (<i>Note 10</i>)	256	(1,433)	(1,177)
At 31 March 2014 and 1 April 2014	(3,459)	–	(3,459)
Charged to profit or loss (<i>Note 10</i>)	(1,804)	–	(1,804)
At 31 March 2015	<u>(5,263)</u>	<u>–</u>	<u>(5,263)</u>

22 TRADE AND OTHER PAYABLES

	2013 HK\$'000	As at 31 March 2014 HK\$'000	2015 HK\$'000
Trade payables	19,141	15,865	32,979
Accruals and other payables	5,725	6,203	3,676
	<u>24,866</u>	<u>22,068</u>	<u>36,655</u>

Notes:

- (a) Payment terms granted by suppliers are generally 15 to 80 days from the invoice date of the relevant purchases.

The ageing analysis of trade payables based on the invoice date is as follows:

	2013 HK\$'000	As at 31 March 2014 HK\$'000	2015 HK\$'000
0–30 days	12,911	8,295	24,214
31–60 days	3,980	4,766	5,894
61–90 days	1,373	1,283	1,017
Over 90 days	877	1,521	1,854
	<u>19,141</u>	<u>15,865</u>	<u>32,979</u>

- (b) All trade and other payables are denominated in HK\$.

23 NOTES TO COMBINED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Profit before income tax	24,257	25,173	49,493
Adjustments for:			
Depreciation	13,911	14,334	14,583
(Gain)/Loss on disposal of property, plant and equipment	(725)	274	(181)
Impairment on trade receivables	910	–	287
Interest income	(88)	(92)	(89)
Interest expense	1,064	1,201	1,361
	<u> </u>	<u> </u>	<u> </u>
Operating profit before working capital changes	39,329	40,890	65,454
Increase in trade and other receivables	(21,606)	(18,143)	(22,103)
Increase in gross amounts due from customers for contract work	(652)	(308)	(3,015)
Increase in amounts due from directors	(1,098)	(2,750)	(6,140)
Increase/(Decrease) in trade and other payables	4,967	(2,798)	14,587
Increase in gross amounts due to customers for contract work	2,061	720	2,664
	<u> </u>	<u> </u>	<u> </u>
Net cash generated from operations	<u>23,001</u>	<u>17,611</u>	<u>51,447</u>

(b) Material non-cash transactions

During the years ended 31 March 2013, 2014 and 2015, additions to property, plant and equipment of approximately HK\$9,755,000, HK\$5,374,000 and HK\$14,416,000 were financed by finance lease arrangements respectively.

24 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at the end of each of the Track Record Period not provided for in the Financial Information were as follows:

	As at 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Contracted but not provided for:			
Property, plant and equipment	<u> </u>	<u> </u>	<u>240</u>

(b) Operating lease commitments — Group as lessee

At the end of the each of the Track Record Period, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 31 March		
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	261	491	1,873
In the second to fifth years inclusive	—	725	1,930
	<u>261</u>	<u>1,216</u>	<u>3,803</u>

The Group is the lessee in respect of office premises and equipment under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the leases when all terms are renegotiated.

25 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) Save as disclosed in Notes 17 and 20 to the Financial Information, the Group did not have any significant related party transaction with related parties during the Track Record Period.
- (b) The emoluments of the directors and senior executives (representing the key management personnel) during the Track Record Period are disclosed in Note 8.

26 CONTINGENT LIABILITIES

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

Pending litigations

As at 31 March 2015, there were two ongoing employees' compensation claims and two personal injury claims against the Group. Two of the claims were related to an employee (who subsequently died independent from the accident) sustained right knee injury whilst transporting a top penal in the course of work, one of the claims was related to an employee sustained chest wall injury whilst falling from a collapsed platform in the course of work and one of the claims was related to an employee sustained head, left shoulder and left upper arm injuries whilst slipping and falling from a slope in the course of work. As the claims are being handled by the relevant insurer's lawyer and the directors take the view that the amount to be borne by the Group in the proceeding shall be covered by the relevant insurance policy, therefore, no provision for contingent liabilities in respect of pending litigations is necessary.

27 DETAILS OF NON-WHOLLY OWNED SUBSIDIARY THAT HAS MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation/ operations	Proportion of ownership interests and voting rights held by non-controlling interests			Profit allocated to non-controlling interests			Accumulated non-controlling interests		
		As at 31 March			Year ended 31 March			As at 31 March		
		2013	2014	2015	2013	2014	2015	2013	2014	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Chung Shun	Hong Kong	20%	20%	–	787	1,176	2,153	968	2,144	–

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	As at 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Current assets	27,848	30,100	–
Non-current assets	28,476	23,391	–
Current liabilities	(43,593)	(34,665)	–
Non-current liabilities	(7,890)	(8,107)	–
Equity attributable to owners of the Company	3,873	8,575	–
Non-controlling interests	968	2,144	–
	<u>787</u>	<u>1,176</u>	<u>2,153</u>
	Year ended 31 March		
	2013	2014	2015
Revenue	102,412	108,595	101,061
Profit for the year	3,937	5,878	10,767
Profit for the year attributable to the non-controlling interests	<u>787</u>	<u>1,176</u>	<u>2,153</u>
Net cash inflow from operating activities	3,509	12,319	22,480
Net cash outflow from investing activities	(11,370)	(1,147)	(5,620)
Net cash inflow/(outflow) from financing activities	6,036	(15,236)	(11,171)
Net cash (outflow)/inflow	<u>(1,825)</u>	<u>(4,064)</u>	<u>5,689</u>

28 ACQUISITIONS OF NON-CONTROLLING INTERESTS

- (a) On 26 March 2015, Mr. Kwan Chung Shing (“**Mr. Kwan**”), as vendor, and Mr. Ip, as purchaser, entered into a sale and purchase agreement, pursuant to which Mr. Ip acquired 20 shares of Chung Shun, representing 20% of its issued shares, from Mr. Kwan at a consideration of approximately HK\$4,456,000.
- (b) On 31 March 2015, Goldfield Building Contractors Limited (“**Goldfield**”), as vendor, and Progressive Foundation, as purchaser entered into a sale and purchase agreement, pursuant to which Progressive Foundation acquired 3,000 shares of Win Target, representing 30% of its issued shares, from Goldfield at a consideration of approximately HK\$1,960,000. Win Target then became a wholly-owned subsidiary of Progressive Foundation.

III DIRECTORS' REMUNERATION

Save as disclosed in Note 8 to this report, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Track Record Period. Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 March 2016 is expected to be approximately HK\$3,797,000.

IV SUBSEQUENT EVENTS

Save as disclosed in Note 12 to this report, the Group had the following significant events took place subsequent to 31 March 2015:

- (a) The Reorganisation as set out in Note 1 of Section II was completed on 23 July 2015.
- (b) The Company adopted a share option scheme on 12 August 2015, a summary of the terms and conditions of which are set out in the paragraph headed "Share Option Scheme" in Appendix IV "Statutory and General Information" to the Prospectus.
- (c) On 12 August 2015, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional of 9,962,000,000 shares of HK\$0.01 each.

V SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 March 2015.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Jonathan T.S. Lai
Practising Certificate Number: P04165
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report on the financial information of our Group for the three years ended 31 March 2015 prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the accountants' report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted combined net tangible assets of the Group which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed Share Offer on the audited combined net tangible assets of the Group attributable to owners of the Company as of 31 March 2015, as if the Share Offer had taken place on 31 March 2015.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company had the Share Offer been completed as at 31 March 2015 or at any future dates. It is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2015 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2015	Add: Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on the Offer Price of HK\$0.22 per Share	<u>86,177</u>	<u>56,114</u>	<u>142,291</u>	<u>0.06</u>
Based on the Offer Price of HK\$0.28 per Share	<u>86,177</u>	<u>72,931</u>	<u>159,108</u>	<u>0.07</u>

Notes:

1. The unadjusted audited combined net tangible assets attributable to the owners of the Company as of 31 March 2015 is extracted from the Accountants' Report, which is based on the audited combined net assets of the Group attributable to the owners of the Company of approximately HK\$86,177,000.
2. The estimated net proceeds from the Share Offer are based on 286,000,000 Shares at the indicative Offer Price of HK\$0.22 and HK\$0.28 per Share, respectively, after deduction of relevant estimated underwriting commissions and fees and other related fees (excluding approximately HK\$3,822,000 listing-related expenses which have been accounted for prior to 31 March 2015).

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

3. The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in Notes 1 and 2 above and on the basis that 2,288,000,000 Shares are issued and outstanding as set out in the section headed “Share Capital” of this prospectus (assuming that the Share Offer and the Capitalisation Issue had been completed on 31 March 2015).

4. The unaudited pro forma financial information presented above does not take account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 31 March 2015). In particular, in August 2015, interim dividends of HK\$25,000,000 were appropriated to the then shareholder of the Company. The unaudited pro forma adjusted net tangible assets had not taken into account of the above transaction. Had the effect of the interim dividends of HK\$25,000,000 appropriated in August 2015 been taken into account, the unaudited pro forma adjusted net tangible assets per Share would be HK\$0.05 and HK\$0.06, assuming the indicative Offer Price of HK\$0.22 and HK\$0.28, respectively on the basis that 2,288,000,000 Shares were in issue and that the interim dividends appropriated in August 2015, the Share Offer and the Capitalisation Issue had been completed on 31 March 2015.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

21 August 2015

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON
THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF LEAP HOLDINGS GROUP LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of LEAP Holdings Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted net tangible assets as at 31 March 2015 (the “**Unaudited Pro Forma Financial Information**”) and related notes as set out in Section A of Appendix II to the prospectus issued by the Company dated 21 August 2015 (the “**Prospectus**”). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed public offer and placing (the “**Share Offer**”) of the shares of the Company on the Group’s financial position as at 31 March 2015 as if the Share Offer had taken place at 31 March 2015. As part of this process, information about the Group’s financial information has been extracted by the directors from the Group’s financial information for the year ended 31 March 2015, on which an accountants’ report has been published.

Directors’ responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Reporting accountants' responsibility

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2015 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Jonathan T.S. Lai
Practising Certificate Number: P04165
Hong Kong

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 May 2015 under the Companies Law. Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and the Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, inter alia, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) By special resolution our Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 12 August 2015. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

(ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of our Company shall be issued under the seal of our Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by our Board for the purpose. As regards any certificates for shares or debentures or other securities of our Company, our Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

and the amount paid thereon and may otherwise be in such form as our Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of our Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. Our Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as our Board may determine). Any share may be issued on terms that upon our happening of a specified event or upon a given date and either at the option of our Company or the holder thereof, they are liable to be redeemed.

Our Board may issue warrants to subscribe for any class of shares or other securities of our Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless our Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and our Company has received an indemnity in such form as our Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of our Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor our Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of our Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
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(ii) Power to dispose of the assets of our Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries, our Board may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting, but if such power or act is regulated by our Company in general meeting, such regulation shall not invalidate any prior act of our Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which our Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their close associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective close associates, or if any one or more of our Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with our Company or with any of its subsidiaries

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and, upon such terms as our Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. Our Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
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exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with our Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the earliest meeting of our Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to our Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of our Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to our Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where our Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of our Company or its subsidiaries including (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which our Director or his close associate(s) may benefit; or (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his close associates and employees of our Company or any of

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
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its subsidiaries and does not provide in respect of any Director or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; or

- (ee) any contract or arrangement in which our Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.

(vi) Remuneration

Our Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by our Board, or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst our Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. Our Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our Company performs services which in the opinion of our Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as our Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as our Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

Our Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of our Company or with which our Company is associated in business), or may make contributions out of our Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

In addition, our Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions,

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pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by our Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on our Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by our Board to fill a casual vacancy shall hold office only until the first general meeting of our Company after his appointment and be subject to re-election at such meeting. Any Director appointed by our Board as an addition to the existing Board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Any Director so appointed by our Board shall not be taken into account in determining our Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of our Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. Our Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to our Company may be given must be at least 7 days.

A Director is not required to hold any shares in our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to our Board or retirement therefrom.

A Director may be removed by an ordinary resolution of our Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and our Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to retirement by rotation provisions in the articles of association. The number of Directors shall not be less than two.

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In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to our Company at the registered office or head office of our Company for the time being or tendered at a meeting of our Board;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and our Board resolves that his office be vacated;
- (cc) if, without special leave, he is absent from meetings of our Board for six (6) consecutive months, and our Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of our Directors (including himself) then in office.

From time to time our Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as our Board may determine and our Board may revoke or terminate any of such appointments. Our Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as our Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by our Board.

(viii) Borrowing powers

Pursuant to the Articles, our Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Companies Law, to issue debentures, debenture stock, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party. The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of our Company.

(ix) Register of Directors and officers

Pursuant to the Companies Law, our Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, our Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of our Company may only be altered or amended, and the name of our Company may only be changed by our Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

Our Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Reduction of share capital – subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its articles of association, by special resolution, reduce its share capital in any way.

(f) Special resolution - majority required

In accordance with the Articles, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days’ notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of our Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of our Company but so that no amount paid up or credited as paid up on a share in advance of calls or

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instalments is treated for the foregoing purpose as paid up on the share, and on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by:

- (i) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (ii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in our Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of our Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where our Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

Our Company must hold an annual general meeting each year other than the year of our Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by our Board.

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(i) Accounts and audit

Our Board shall cause proper books of account to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of our Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts of our Company shall be kept at the head office of our Company or at such other place or places as our Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by our Board or our Company in general meeting.

Our Board shall from time to time cause to be prepared and laid before our Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of our Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), our Company may send summarised financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarised financial statements.

Our Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with our Board. The auditors' remuneration shall be fixed by our Company in general meeting or by our Board if authority is so delegated by the members.

The auditors shall audit the financial statements of our Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting of our Company must be called by at least 21 days' notice in writing, and a general meeting of our Company other than an annual general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which

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it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by our Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in our Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify our Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by our Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of our Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the total voting rights at the meeting of all members of our Company.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the Directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors;
- (ee) the fixing of the remuneration of our Directors and of the auditors;
- (ff) the granting of any mandate or authority to our Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of our Company representing not more than 20% in nominal value of its existing issued share

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capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by our Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to our Board to repurchase securities in our Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as our Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as our Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that our Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of our Company in respect thereof.

Our Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless our Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

Our Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

Our Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as our Board may from time to time require is paid to our Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as our Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

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The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as our Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and our Board may only exercise this power on behalf of our Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the SFC.

Where our Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

(n) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by our Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Where our Board or our Company in general meeting has resolved that a dividend should be paid or declared on the share capital of our Company, our Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

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(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Board may think fit.

Upon the recommendation of our Board, our Company may by ordinary resolution in respect of any one particular dividend of our Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of our Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared, our Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

Our Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as our Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend subsequently declared or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by our Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by our Board and, upon such forfeiture, shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as our Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

Our Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as our Board shall fix from the day appointed for the payment thereof to the time of actual payment, but our Board may waive payment of such interest wholly or in part. Our Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as our Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, our Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days

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from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of our Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if our Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as our Board may prescribe.

(q) Inspection of corporate records

Members of our Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. However, the members of our Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of our Company is listed on the Stock Exchange, any member may inspect any register of members of our Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if our Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that our Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

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In accordance with the Articles, our Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months' notice period referred to in sub-paragraph (iii)), our Company has not during that time received any indication of the existence of the member; and
- (iii) our Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 15 May 2015 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, our Company must conduct its operations mainly outside the Cayman Islands. Moreover, our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies

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Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company’s or a subsidiary’s shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorised by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test

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and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is ultra vires the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, however, the directors have certain duties of care, diligence and skill and also fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and

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expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If our Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to our Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:
 - (aa) on or in respect of the shares, debentures or other obligations of our Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for our Company is for a period of twenty years from 2 June 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where our Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

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In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, our Company's legal adviser on Cayman Islands law, has sent to our Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 15 May 2015. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 29 July 2015 and our principal place of business in Hong Kong is at Units 2701–02, 27th Floor, Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong. Loong & Yeung of Suites 2001–2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One Share was allotted and issued nil paid to the subscriber on 15 May 2015, which was subsequently transferred to Grand Jade on the same date.
- (b) On 12 August 2015, our sole Shareholder resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$100,000,000 by the creation of 9,962,000,000 additional Shares, each ranking pari passu with our Shares then in issue in all respects.
- (c) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of the entire issued share capital of Glory Port from Grand Jade, on 23 July 2015, (i) the 1 nil-paid Share held by Grand Jade was credited as fully paid, and (ii) 9,999 Shares, all credited as fully paid, were allotted and issued to Grand Jade.
- (d) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, 2,288,000,000 Shares, fully paid or credited as fully paid, will be in issue, and 7,712,000,000 Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our sole Shareholder passed on 12 August 2015” in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares which would effectively alter the control of our Company will be made.

- (f) Save as disclosed in the section headed “Share Capital” of this prospectus and in this paragraph headed “Changes in share capital of our Company”, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 12 August 2015

By written resolutions of our sole Shareholder passed on 12 August 2015:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus, including any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
- (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;
- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” of this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
- (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK\$20,019,900 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 2,001,990,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 11 August 2015 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the Shares then in issue, and our Directors were authorised to give effect to such capitalisation and distributions;

- (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meetings or pursuant to the Capitalisation Issue and the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme (the “**Repurchase Mandate**”), and the Repurchase Mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and

- (e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to the Repurchase Mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the Repurchase Mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group. The Reorganisation included the following major steps:

- (a) On 26 March 2015, Mr. Ip Ying Chau acquired 20 shares of Chung Shun, representing 20% of its then issued shares, from Mr. Kwan Chung Shing at a consideration of HK\$4,455,941.47.
- (b) On 31 March 2015, Progressive Foundation acquired 3,000 shares in Win Target, representing 30% of its then issued shares, from Goldfield at a consideration of HK\$1,959,531.
- (c) On 24 April 2015, Bright Access disposed of 50 shares of Kinwick Limited, representing 50% of its then entire issued shares, to Unicon Limited at a consideration of HK\$50.
- (d) Grand Jade was incorporated in the BVI on 12 February 2015. 1 and 1 fully paid ordinary shares of Grand Jade, representing 50% and 50% of the then issued share capital of Grand Jade respectively, were allotted and issued to Mr. Chan Wing Chung and Mr. Ip Ying Chau respectively on 13 May 2015.
- (e) Glory Port was incorporated in the BVI on 23 January 2015 and 1 fully paid ordinary share of Glory Port, representing the then entire issued share capital of Glory Port, was allotted and issued to Grand Jade on 14 May 2015.
- (f) Full State was incorporated in the BVI on 13 February 2015 and 1 fully paid ordinary share of Full State, representing the then entire issued share capital of Full State, was allotted and issued to Glory Port on 15 May 2015.
- (g) Jia Jian was incorporated in the BVI on 13 February 2015 and 1 fully paid ordinary share of Jia Jian, representing the then entire issued share capital of Jia Jian, was allotted and issued to Glory Port on 15 May 2015.
- (h) Joint Wealth was incorporated in the BVI on 13 February 2015 and 1 fully paid ordinary share of Joint Wealth, representing the then entire issued share capital of Joint Wealth, was allotted and issued to Glory Port on 15 May 2015.

- (i) On 15 May 2015, our Company was incorporated in the Cayman Islands with limited liability. 1 nil-paid Share was allotted and issued to the initial subscriber to the Memorandum and the Articles, which was later transferred to Grand Jade on the same date.
- (j) On 22 July 2015, Full State acquired 50 shares and 50 shares of Progressive Foundation, being in aggregate its entire issued share capital, from Mr. Chan Wing Chung and Mr. Ip Ying Chau, respectively, and in consideration thereof, Full State in aggregate issued and allotted 2 shares, credited as fully paid, to Glory Port.
- (k) On 22 July 2015, Jia Jian acquired 50 shares and 50 shares of Bright Access, being in aggregate its entire issued share capital, from Mr. Chan Wing Chung and Mr. Ip Ying Chau, respectively, and in consideration thereof, Jia Jian in aggregate issued and allotted 2 shares, credited as fully paid, to Glory Port.
- (l) On 22 July 2015, Joint Wealth acquired 80 shares and 20 shares of Chung Shun, being in aggregate its entire issued share capital, from Mr. Chan Wing Chung and Mr. Ip Ying Chau, respectively, and in consideration thereof, Joint Wealth in aggregate issued and allotted 2 shares, credited as fully paid, to Glory Port.
- (m) Pursuant to the sale and purchase agreement dated 23 July 2015 referred to in item (v) of the paragraph headed “Summary of material contracts” in this appendix, our Company acquired 1 share of Glory Port, representing the entire issued share capital of Glory Port, from Grand Jade, and in consideration thereof, (i) the 1 nil-paid Share held by Grand Jade was credited as fully paid; and (ii) 9,999 Shares, all credited as fully paid, were allotted and issued to Grand Jade.

Immediately after completion of the share transfer referred to in item (m) above, our Company then became the holding company of our Group.

5. Changes in share capital of subsidiaries

Our subsidiaries are listed in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus. Save for the alterations described in paragraph headed “Corporate reorganisation” above, no changes in the share capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 12 August 2015, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares representing up to 10% of the aggregate of the nominal value of the share capital in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Share which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 2,288,000,000 Shares in issue after completion of the Capitalisation Issue and the Share Offer, could accordingly result in up to 228,800,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling

below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a sale and purchase agreement dated 31 March 2015 entered into between Goldfield and Progressive Foundation, pursuant to which Progressive Foundation agreed to acquire 3,000 shares of Win Target from Goldfield at a consideration of HK\$1,959,531;
- (b) an instrument of transfer dated 31 March 2015 entered into between Goldfield and Progressive Foundation for the transfer of 3,000 shares of Win Target as referred to in item (a) above;
- (c) bought and sold notes dated 31 March 2015 executed by Goldfield and Progressive Foundation for the transfer of 3,000 shares of Win Target as referred to in item (a) above;
- (d) a sale and purchase agreement dated 24 April 2015 entered into between Bright Access and Unicon Limited, pursuant to which Unicon Limited agreed to acquire 50 shares of Kinwick Limited from Bright Access at a consideration of HK\$50;
- (e) an instrument of transfer dated 24 April 2015 entered into between Bright Access and Unicon Limited for the transfer of 50 shares of Kinwick Limited as referred to in item (d) above;


- (f) bought and sold notes dated 24 April 2015 executed by Bright Access and Unicon Limited for the transfer of 50 shares of Kinwick Limited as referred to in item (d) above;
- (g) a sale and purchase agreement dated 22 July 2015 entered into among Full State, Mr. Chan Wing Chung and Mr. Ip Ying Chau, pursuant to which Full State agreed to acquire 50 shares and 50 shares of Progressive Foundation from Mr. Chan Wing Chung and Mr. Ip Ying Chau, respectively, and in consideration thereof, Full State in aggregate issued and allotted 2 shares in Full State, credited as fully paid, to Glory Port;
- (h) an instrument of transfer dated 22 July 2015 entered into between Full State and Mr. Chan Wing Chung for the transfer of 50 shares of Progressive Foundation as referred to in item (g) above;
- (i) bought and sold notes dated 22 July 2015 executed by Full State and Mr. Chan Wing Chung for the transfer of 50 shares of Progressive Foundation as referred to in item (g) above;
- (j) an instrument of transfer dated 22 July 2015 entered into between Full State and Mr. Ip Ying Chau for the transfer of 50 shares of Progressive Foundation as referred to in item (g) above;
- (k) bought and sold notes dated 22 July 2015 executed by Full State and Mr. Ip Ying Chau for the transfer of 50 shares of Progressive Foundation as referred to in item (g) above;
- (l) a sale and purchase agreement dated 22 July 2015 entered into among Jia Jian, Mr. Chan Wing Chung and Mr. Ip Ying Chau, pursuant to which Jia Jian acquired 50 shares and 50 shares of Bright Access from Mr. Chan Wing Chung and Mr. Ip Ying Chau, respectively, and in consideration thereof, Jia Jian in aggregate issued and allotted 2 shares in Jia Jian, credited as fully paid, to Glory Port;
- (m) an instrument of transfer dated 22 July 2015 entered into between Jia Jian and Mr. Chan Wing Chung for the transfer of 50 shares of Bright Access as referred to in item (l) above;
- (n) bought and sold notes dated 22 July 2015 executed by Jia Jian and Mr. Chan Wing Chung for the transfer of 50 shares of Bright Access as referred to in item (l) above;
- (o) an instrument of transfer dated 22 July 2015 entered into between Jia Jian and Mr. Ip Ying Chau for the transfer of 50 shares of Bright Access as referred to in item (l) above;
- (p) bought and sold notes dated 22 July 2015 executed by Jia Jian and Mr. Ip Ying Chau for the transfer of 50 shares of Bright Access as referred to in item (l) above;

- (q) a sale and purchase agreement dated 22 July 2015 entered into among Joint Wealth, Mr. Chan Wing Chung and Mr. Ip Ying Chau, pursuant to which Joint Wealth acquired 80 shares and 20 shares of Chung Shun from Mr. Chan Wing Chung and Mr. Ip Ying Chau, respectively, and in consideration thereof, Joint Wealth in aggregate issued and allotted 2 shares in Joint Wealth, credited as fully paid, to Glory Port;
- (r) an instrument of transfer dated 22 July 2015 entered into between Joint Wealth and Mr. Chan Wing Chung for the transfer of 80 shares of Chung Shun as referred to in item (q) above;
- (s) bought and sold notes dated 22 July 2015 executed by Joint Wealth and Mr. Chan Wing Chung for the transfer of 80 shares of Chung Shun as referred to in item (q) above;
- (t) an instrument of transfer dated 22 July 2015 entered into between Joint Wealth and Mr. Ip Ying Chau for the transfer of 20 shares of Chung Shun as referred to in item (q) above;
- (u) bought and sold notes dated 22 July 2015 executed by Joint Wealth and Mr. Ip Ying Chau for the transfer of 20 shares of Chung Shun as referred to in item (q) above;
- (v) a sale and purchase agreement dated 23 July 2015 entered into between our Company, Grand Jade, Mr. Chan Wing Chung and Mr. Ip Ying Chau, pursuant to which our Company agreed to acquire 1 share of Glory Port from Grand Jade, and in consideration, (i) the 1 nil-paid Share held by Grand Jade was credited as fully paid; and (ii) 9,999 Shares, all credited as fully paid, were allotted and issued to Grand Jade;
- (w) an instrument of transfer dated 23 July 2015 entered into between our Company and Grand Jade for the transfer of 1 share of Glory Port as referred to item (v) above;
- (x) the Deeds of Non-competition;
- (y) the Deed of Indemnity; and
- (z) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(a) Trademark

As at the Latest Practicable Date, our Group had applied for registration of the following trademark, the registration of which had not yet been granted:

Trademark	Classes	Application Number	Application Date	Place of Application	Applicant
	37, 40, 42	303433310	5 June 2015	Hong Kong	Our Company

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names:

Registrant	Domain Name	Registration Date	Expiry Date
Progressive Foundation	LEAPHOLDINGS.HK	19 May 2015	19 May 2018
Progressive Foundation	PFH.COM.HK	15 October 2014	16 October 2016

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

- (a) Immediately following completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

(i) Long position in our Shares

Name of Director	Capacity/Nature	Number of Shares held/Interested immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer
Mr. Chan Wing Chung	Interest of a controlled corporation (<i>Note 1</i>)	1,716,000,000	75%
Mr. Ip Ying Chau	Interest of a controlled corporation (<i>Note 1</i>)	1,716,000,000	75%
Ms. Tung Ah Pui Athena	Interest of spouse (<i>Note 2</i>)	1,716,000,000	75%

Notes:

1. These shares are held by Grand Jade, the entire issued share capital of which is owned as to 50% by Mr. Chan Wing Chung and 50% by Mr. Ip Ying Chau. Therefore, each of Mr. Chan Wing Chung and Mr. Ip Ying Chau is deemed, or taken to be, interested in all Shares held by Grand Jade for the purpose of the SFO.
2. Ms. Tung Ah Pui Athena is the spouse of Mr. Ip Ying Chau. Accordingly, Ms. Tung Ah Pui Athena is deemed, or taken to be, interested in the Shares which Mr. Ip Ying Chau is interested in for the purpose of the SFO.

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares held/ interested immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer
Mr. Chan Wing Chung	Grand Jade	Beneficial owner	1	50%
Mr. Ip Ying Chau	Grand Jade	Beneficial owner	1	50%
Ms. Tung Ah Pui Athena	Grand Jade	Interest of spouse	1	50%

- (b) So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer, and Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Our Company

Name	Capacity/ Nature of interest	Number of Shares held/ interested	Percentage of interest
Grand Jade	Beneficial owner	1,716,000,000	75%
Ms. Chan Lai Ting	Interest of spouse (<i>Note</i>)	1,716,000,000	75%

Note:

Ms. Chan Lai Ting is cohabiting with Mr. Chan Wing Chung as spouse. Accordingly, Ms. Chan Lai Ting is deemed, or taken to be, interested in the Shares which Mr. Chan Wing Chung is interested in for the purpose of the SFO.

2. Particulars of service agreements

None of our Directors has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in the three years ended 31 March 2013, 2014 and 2015 were approximately HK\$2,284,000, HK\$3,445,000 and HK\$2,747,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2016 will be approximately HK\$3,797,000.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

HK\$

Executive Directors

Mr. Chan Chiang Kan	840,000
Mr. Chan Wing Chung	1,176,000
Mr. Ip Ying Chau	1,176,000
Ms. Tung Ah Pui Athena	960,000

Independent non-executive Directors

Mr. Cheung Kwok Yan Wilfred	120,000
Mr. Feng Zhidong	120,000
Mr. Ho Ho Ming	120,000

4. Fees or commission received

Save as disclosed in the section headed "Underwriting" of this prospectus, none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 25 to the Accountants' Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “Consents of experts” in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “Consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of Shares which may be taken up under the Share Offer, and Shares which may be issued pursuant to exercise of any options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Share Offer, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (e) none of our Directors or chief executive of our Company has any interest or short position in shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and

- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest subcontractors of our Group.

D. SHARE OPTION SCHEME

1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	12 August 2015, the date on which the Share Option Scheme is conditionally adopted by the sole Shareholder by way of written resolution
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 12 August 2015:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) who may join and basis of eligibility

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options

to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before listing.

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(e) Maximum number of Shares

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 228,800,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 228,800,000 Shares from time to time) to the participants under the Share Option Scheme.
- (ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted

under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.

- (iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Grant of options to certain core connected persons

- i. Any grant of an option to a Director, chief executive or substantial Shareholder (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

- ii. Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (a) representing in aggregate over 0.1% of our Shares in issue; and
 - (b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant and his intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by the Shareholders in the aforesaid manner.

(h) Restrictions on the times of grant of options

- (i) Our Company may not grant any options after any inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (b) the last day on which for our Company is to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),and ending on the date of the results announcement.
- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published and:
 - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

- (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(j) Performance targets

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(k) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (n) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, and in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(p) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices of any unexercised option, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to our Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall as may be give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror), our Company shall use its best endeavours to procure that an appropriate offer is extended to all the grantee (on comparable terms, mutatis mutandis, and assuming that they will become, by exercise in full of the options granted to them, as Shareholders) and when such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(s) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the “**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavour to procure that our Shares issued as a result of the exercise of options hereunder shall

for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(t) Lapse of options

An option shall lapse automatically on the earliest of:

- (1) the expiry of the period referred to in paragraph (i) above;
- (2) the date on which our Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (3) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (n), (o), (q), (r) or (s) above;
- (4) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;
- (5) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (6) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (7) subject to the compromise or arrangement as referred to in paragraph (s) becoming effective, the date on which such compromise or arrangement becomes effective.

(u) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(v) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof.

(w) *Alteration to the Share Option Scheme*

- (i) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (ii) Any alternations to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(x) *Termination to the Share Option Scheme*

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and commencement of dealings in the Shares on the Stock Exchange.

3. Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in 228,800,000 Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

Mr. Chan Wing Chung, Mr. Ip Ying Chau and Grand Jade (collectively, the “**Indemnifiers**”) have, under the Deed of Indemnity referred to in paragraph (y) of the sub-section headed “Summary of material contracts” in this appendix, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things, (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional; (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional; (c) any claims, actions, demands, proceedings, suits, judgments, losses, payments, liabilities, damages, settlement payments, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings whether criminal, administrative, contractual, tortious or otherwise, instituted by or against any member of our Group in relation to any act, non-performance, omission, events or otherwise occurred on or before the date on which the Share Offer becomes unconditional; and (d) any losses, liabilities, damages, costs, claims and expenses of whatever nature suffered or incurred by any member of our Group in relation to any non-compliance with the applicable laws, rules or regulations by any member of our Group on or before the date on which the Share Offer becomes unconditional except that provisions, reserve or allowance has been made for such liabilities in the audited combined financial statements of our Company or any other member of our Group for the Track Record Period (if any). The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited combined financial statements of any member of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of our Group after 31 March 2015 up to and including the date of which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Save as disclosed in the section headed “Business – Litigation and potential claims” of this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of any options which may be under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sponsor, pursuant to which our Company agreed to pay HK\$3,700,000 to the Sponsor to act as the sponsor to our Company for purposes of the Share Offer.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$38,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
TC Capital Asia Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Appleby	Cayman Islands attorneys-at-law
Chan Chung	Barrister-at-law of Hong Kong

7. Consents of experts

Each of TC Capital Asia Limited, HLB Hodgson Impey Cheng Limited, Appleby and Mr. Chan Chung has given and has not withdrawn its/his written consent to the issue of this prospectus with the inclusion of its/his reports and/or letter and/or advice and/or opinion and/or summary thereof (as the case may be) and/or reference to its/his name included herein in the form and context in which it/he is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Taxation of holders of Shares*(a) Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 March 2015 (being the date to which the latest audited combined financial statements of our Group were made up).

11. Particulars of the Vendor

The Vendor is Grand Jade, a company incorporated in the BVI with limited liability on 12 February 2015 with registered office at NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, the BVI. Grand Jade is legally and beneficially owned as to 50% by Mr. Chan Wing Chung and 50% by Mr. Ip Ying Chau. It is an investment holding company.

12. Miscellaneous

- (a) No share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;
 - (i) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;
 - (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or our subsidiaries; and
 - (iv) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Neither our Company nor any of its subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save as disclosed in the section headed “Underwriting” of this prospectus, none of the parties listed in the paragraph headed “Consents of experts” in this appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.
- (d) The branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) Our Group has no outstanding convertible debt securities.

- (h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law.
- (i) The English text of this prospectus shall prevail over the Chinese text.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE** and **YELLOW** Application Forms;
- (b) copies of the material contracts referred to in the section headed “Statutory and General Information – B. Further Information about the Business – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (c) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 7. Consents of experts” in Appendix IV to this prospectus; and
- (d) statement of particulars of the Vendor.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Loong & Yeung at Suites 2001–2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information prepared by HLB Hodgson Impey Cheng Limited, the texts of which are set out in Appendices I and II to this prospectus;
- (c) the audited combined financial statements of our Company as have been prepared for the companies comprising our Group for the three years ended 31 March 2015;
- (d) the letter of advice prepared by Appleby, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (e) the material contracts referred to the section headed “Statutory and General Information – B. Further Information about the Business – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (f) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 7. Consents of experts” in Appendix IV to this prospectus;
- (g) the Companies Law;
- (h) the rules of the Share Option Scheme;
- (i) statement of particulars of the Vendor; and
- (j) the legal advice prepared by our Legal Counsel.

