



佳明  
GRAND MING

GRAND MING GROUP HOLDINGS LIMITED  
佳明集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

*Stock Code: 1271*

SHARE  
OFFER



Sole Sponsor



Sole Bookrunner and Sole Lead Manager



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## IMPORTANT

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



### GRAND MING GROUP HOLDINGS LIMITED

### 佳明集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

#### Share Offer

- Total number of Offer Shares under the Share Offer** : 100,000,000 Shares (subject to the Over-allotment Option)
- Number of Public Offer Shares** : 10,000,000 Shares (subject to adjustment)
- Number of Placing Shares** : 90,000,000 Shares (subject to adjustment and the Over-allotment Option)
- Offer Price** : Not more than HK\$1.11 per Offer Share and expected to be not less than HK\$0.90 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund on final pricing)
- Nominal value** : HK\$0.01 per Share
- Stock code** : 1271

#### Sole Sponsor



#### Sole Bookrunner and Sole Lead Manager



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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 "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus.

The Offer Price is expected to be fixed by agreement between the Sole Lead Manager, for itself and on behalf of the Underwriters, and our Company on or around Friday, 2 August 2013 or such later time as may be agreed between the parties, but in any event, no later than Thursday, 8 August 2013. If, for any reason, the Sole Lead Manager, for itself and on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by Thursday, 8 August 2013, the Share Offer will not become unconditional and will lapse immediately. The Offer Price will be not more than HK\$1.11 per Offer Share and is currently expected to be not less than HK\$0.90 per Offer Share unless otherwise announced. The Sole Lead Manager, for itself and on behalf of the Underwriters, may, with the consent of our Company, reduce the number of Offer Shares being offered and/or the indicative Offer Price range below that stated in this prospectus (being HK\$0.90 per Offer Share to HK\$1.11 per Offer Share) at any time on or prior to the morning of the last date for lodging applications under the Public Offer. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) and on the websites of the Stock Exchange at [www.hkxnews.hk](http://www.hkxnews.hk) and our Company at [www.grandming.com.hk](http://www.grandming.com.hk) as soon as practicable but in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer. For further information, please refer to the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" in this prospectus.

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

Pursuant to the termination provisions contained in the Public Offer Underwriting Agreement in respect of the Public Offer Shares, the Sole Lead Manager, for itself and on behalf of the Public Offer Underwriters, have the right in certain circumstances, in its absolute discretion, to terminate the obligation of the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the paragraph headed "Grounds for termination" of the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the U.S. Securities Act.

30 July 2013

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## EXPECTED TIMETABLE *(note 1)*

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2013

- Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** *(note 2)* . . . . . 11:30 a.m. on Friday, 2 August
- Application lists for the Public Offer open *(note 3)* . . . . . 11:45 a.m. on Friday, 2 August
- Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC *(note 4)* . . . . . 12:00 noon on Friday, 2 August
- Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Friday, 2 August
- Application lists for the Public Offer close *(note 3)* . . . . . 12:00 noon on Friday, 2 August
- Expected Price Determination Date *(note 5)* . . . . . Friday, 2 August
- Announcement of the Offer Price, the level of applications in the Public Offer, the indication of the levels of interest in the Placing and the results of applications and basis of allocation of the Public Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.grandming.com.hk** on or before . . . . . Thursday, 8 August
- Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the paragraph headed "Results of allocations" of the section headed "How to Apply for the Public Offer Shares" in this prospectus from . . . . . Thursday, 8 August
- Results of allocations in the Public Offer will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function from . . . . . Thursday, 8 August
- Share certificates in respect of wholly or partially successful applications under the Public Offer to be despatched on or before *(note 6)* . . . . . Thursday, 8 August
- HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications under the Public Offer to be despatched on or before *(notes 6 and 7)* . . . . . Thursday, 8 August
- Dealings in Shares on the Main Board of the Stock Exchange expected to commence at 9:00 a.m. on . . . . . Friday, 9 August

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## EXPECTED TIMETABLE *(note 1)*

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*Notes:*

- (1) All dates and times refer to Hong Kong dates and time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus. If there is any change in this expected timetable, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese).
- (2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 2 August 2013, the application lists will not open or close on that day. Further information is set out in the paragraph headed “Effect of bad weather conditions on the opening of the application lists” of the section headed “How to Apply for the Public Offer Shares” in this prospectus. If the application lists do not open and close on Friday, 2 August 2013, the dates mentioned in this section may be affected. We will make an announcement in such event.
- (4) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to apply by giving electronic application instructions to HKSCC” of the section headed “How to Apply for the Public Offer Shares” in this prospectus for details.
- (5) The Offer Price is expected to be determined on or around Friday, 2 August 2013, but in any event, will not be later than Thursday, 8 August 2013. If, for any reason, the Offer Price is not agreed between the Sole Lead Manager, for itself and on behalf of the Underwriters, and our Company by Thursday, 8 August 2013, the Share Offer will not proceed.
- (6) Applicants who apply for 1,000,000 Public Offer Shares or more under the Public Offer and have indicated on their Application Forms that they wish to collect any refund cheque(s) (if applicable) and/or Share certificate(s) (if applicable) in person from our Hong Kong Share Registrar, may do so in person from 9:00 a.m. to 1:00 p.m. on Thursday, 8 August 2013. Applicants being individuals who are applying for 1,000,000 Public Offer Shares or more and opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Public Offer Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations’ chop. Identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar must be produced at the time of collection. Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post at the applicants’ own risk to the addresses specified on the relevant Application Forms.
- (7) Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. If you apply through the **HK eIPO White Form** services by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** services by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated website (**www.hkeipo.hk**) by ordinary post and at your own risk. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such

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## **EXPECTED TIMETABLE** *(note 1)*

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data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the paragraph headed “Grounds for termination” of the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates and before they become valid do so entirely at their own risk.

For details of the structure of the Share Offer, including the conditions thereof, please refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

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*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 and the Application Forms. Any information or representation not made in this prospectus or the Application Forms must not be relied on by you as having been authorised by us, any of the Sole Sponsor, Sole Bookrunner, Sole Lead Manager, any of the Underwriters, any of our or their respective directors, officers, representatives, or affiliates, or any other person or party involved in the Share Offer. Information contained in our website, located at [www.grandming.com.hk](http://www.grandming.com.hk), does not form part of this prospectus.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, including our financial information and the accompanying notes, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set forth in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are an established building contractor in Hong Kong focusing on providing building construction services as a main contractor in residential property development projects for prominent local developers. We have also developed a data centre building which we hold as our investment properties and conduct our data centre premises leasing business as a wholesale co-location provider. We principally lease out raised floor space within our data centre building and are responsible for maintaining supporting mechanical and electrical engineering facilities and security in order for the tenants to operate their own data centres.

We have been providing building construction services to property developers in Hong Kong since 1997. We have successfully established a customer base consisting of renowned property developers and maintained a long-term business relationship with them. We have also accumulated substantial expertise and knowledge in construction which allows us to leverage on this experience to build our own data centre building which is capable of meeting the stringent site requirements for accommodating the supporting mechanical and electrical facilities required for high-tier data centres (please refer to the paragraph headed “high-tier data centre” of the section headed “Glossary of Technical Terms” for further details of the requirements). Such expertise also enables us to perform A&A works and building services engineering works in our data centre building to ensure that the premises we offer for lease would meet our customers’ requirements and specifications.

### Our business model and business focus

Both the construction business and data centre premises leasing business have been the principal business segments of our Group during the Track Record Period. The construction business has been an integral part of our business since our establishment and it contributed a substantial portion ranging from approximately 76.4% to 87.6% of our turnover during the Track Record Period. However, given that its business nature is project-based and the market competition within the construction industry is intense, we faced difficulties in maintaining the profitability of our construction business at a higher level during the Track Record Period. To diversify our Group’s business with the aim of expanding into a business in which we may be able to achieve a higher gross profit margin, we tapped into the data centre premises leasing business in 2007 leveraging on our experience in building construction. Although it only contributed to approximately 12.4% to 23.6% of the total turnover of our Group during the Track Record Period, the gross profit margin of our business of leasing of data centre premises had been higher than that of our construction business and it helped generate approximately 70.6% to 88.3% of our total gross profit during the Track Record Period. This business also provides a stable source of income as we have entered into long-term agreements with our customers, ranging from five to 20 years. Our fair value gains on investment properties, comprising our data centre building named iTech Tower, and our TCP Land located in Kwai Chung for the development of our second data centre building, contributed to approximately 42.2% to 81.5% of our net profit during the Track Record Period. Given that (i) a substantial portion of our net profit during the Track Record Period was attributable to the fair value gains on investment properties; (ii) our data centre premises leasing business contributed to a much higher gross profit margin to our Group of over 70% compared with our construction business of approximately 2.2% to 6.4% during the Track Record Period; (iii) most of our direct costs incurred during the Track Record Period were sub-contracting fees, construction materials costs, site overheads and insurance costs for our construction business which vary with the revenue of our construction business; and (iv) our general and administrative expenses



## SUMMARY

during the Track Record Period were relatively small, our Directors are of the view that in the event that our Group is unable to secure new construction contracts within a reasonable period of time after the completion of all of our existing projects on-hand, there will not be any material adverse impact to our Group's financial results.

Going forward, we will continue to operate both the construction business and the data centre premises leasing business as our Group's business focus. After the completion of our second data centre building which we currently expect will be around August 2016, our Directors believe that the commencement of operation of our second data centre building will bring positive impact to the turnover of our business of leasing of data centre premises and our cash flow due to the increase of our total leasable raised floor space.

The following table sets out a breakdown of our turnover, direct costs, gross profits and gross profit margin by our two business segments:

		For the year ended 31 March					
		2011		2012		2013	
<i><b>TURNOVER</b></i>		<i>HK\$'000</i>	<i>% to turnover</i>	<i>HK\$'000</i>	<i>% to turnover</i>	<i>HK\$'000</i>	<i>% to turnover</i>
Construction business	Building construction	341,797	74.6	879,771	83.1	571,583	73.9
	Existing building alteration, renovation and fitting-out	7,983	1.8	47,073	4.5	68,529	8.8
	<b>Sub-total</b>	<u>349,780</u>	<u>76.4</u>	<u>926,844</u>	<u>87.6</u>	<u>640,112</u>	<u>82.7</u>
Data centre premises leasing business		108,181	23.6	131,218	12.4	133,588	17.3
<b>Total</b>		<u><u>457,961</u></u>	<u><u>100.0</u></u>	<u><u>1,058,062</u></u>	<u><u>100.0</u></u>	<u><u>773,700</u></u>	<u><u>100.0</u></u>
<i><b>DIRECT COSTS</b></i>		<i>HK\$'000</i>	<i>% to direct costs</i>	<i>HK\$'000</i>	<i>% to direct costs</i>	<i>HK\$'000</i>	<i>% to direct costs</i>
Construction business	Building construction	336,112	92.2	860,898	91.5	539,834	85.2
	Existing building alteration, renovation and fitting-out	2,784	0.7	45,871	4.8	59,065	9.3
	<b>Sub-total</b>	<u>338,896</u>	<u>92.9</u>	<u>906,769</u>	<u>96.3</u>	<u>598,899</u>	<u>94.5</u>
Data centre premises leasing business		25,836	7.1	34,496	3.7	34,749	5.5
<b>Total</b>		<u><u>364,732</u></u>	<u><u>100.0</u></u>	<u><u>941,265</u></u>	<u><u>100.0</u></u>	<u><u>633,648</u></u>	<u><u>100.0</u></u>
<i><b>GROSS PROFITS AND GROSS PROFIT MARGINS</b></i>		<i>Gross profit HK\$'000</i>	<i>Gross profit margin %</i>	<i>Gross profit HK\$'000</i>	<i>Gross profit margin %</i>	<i>Gross profit HK\$'000</i>	<i>Gross profit margin %</i>
Construction business	Building construction	5,685	1.7	18,873	2.1	31,749	5.6
	Existing building alteration, renovation and fitting-out	5,199	65.1	1,202	2.6	9,464	13.8
	<b>Sub-Total</b>	<u>10,884</u>	<u>3.1</u>	<u>20,075</u>	<u>2.2</u>	<u>41,213</u>	<u>6.4</u>
Data centre premises leasing business		82,345	76.1	96,722	73.7	98,839	74.0
<b>Total</b>		<u><u>93,229</u></u>	<u><u>20.4</u></u>	<u><u>116,797</u></u>	<u><u>11.0</u></u>	<u><u>140,052</u></u>	<u><u>18.1</u></u>

### Our Construction Business

We generally act as a main contractor in building construction projects as well as existing buildings alteration, renovation and fitting-out projects. We were engaged as the main contractor in a number of residential property development projects by prominent local developers. According to the Ipsos Report, the residential properties construction industry in Hong Kong is highly

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## SUMMARY

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fragmented with the top 5 building contractors together accounting for less than 25% of the total revenue from building construction services for private residential properties in the industry in 2012 and our Group accounted for about 1.3% of the total market share in terms of revenue during the same year.

As main contractor, we are responsible for the overall management of the construction projects. We focus on project management, engineering design and technical submission, devising detailed work programmes, procurement of major construction materials, co-ordination with the customers or their consultants and the quality control of the works carried by the sub-contractors. The following table sets forth a summary of our construction contracts which were still in progress as at the Latest Practicable Date:

Nature of project	Particulars of the contract	Site area ( <i>app. sq.m.</i> )	Expected construction period	Contract value ( <i>app.</i> )	Works certified as at Latest Practicable Date (%)
<b>Building construction project</b>					
Residential	Connaught Road West (Residential development in Sai Wan)	1,697	January 2013 to September 2014	Approximately HK\$657 million	7.18%
<b>Alteration, renovation and fitting-out projects</b>					
Renovation	Renovation work to toilet (University campus)	N/A	July 2013 to September 2013	Approximately HK\$1.2 million	nil
A&A	Toilet upgrade and ventilation installations (University campus)	N/A	July 2013 to September 2013	Approximately HK\$0.46 million	nil
Renovation	Renovation works to reception counter	N/A	July 2013 to August 2013	Approximately HK\$0.25 million	nil

### Our Data Centre Premises Leasing Business

We started to engage in data centre premises leasing business in 2007. Our data centre premises leasing business focuses on the developing and building of our own data centre building and leasing out raised floor space within our data centre building as a wholesale co-location provider of high-tier data centres. Upon handing over of the premises to our customers, we maintain the supporting mechanical and electrical engineering facilities and security of our data centre building in order to ensure that the premises we leased out meet the specifications and expectation of our customers on an on-going basis. According to the Ipsos Report, we were one of the top ten players in the industry of leasing of data centre premises in Hong Kong in terms of revenue in 2012 and accounted for about 2.0% of the total market revenue, while the top ten players accounted for about 67.7% of the total market revenue in Hong Kong in 2012.

Our existing data centre building, iTech Tower, is located in Tsuen Wan, Hong Kong, was converted by us from an industrial building and has a total raised floor space of approximately 53,200 sq.ft.. Certain critical mechanical and electrical systems installed in iTech Tower were designed based on the standards of a high-tier data centre. Since the first quarter of 2011 and up to the Latest Practicable Date, we have recorded an 100% occupancy rate at iTech Tower, in which six data centres are operating. In November 2012, we purchased the TCP Land located in Kwai Chung, Hong Kong, for the development of our second data centre building. The purchase of the TCP Land was completed in February 2013 and the amount of entire consideration of HK\$118 million had been fully paid by us. The construction works for the development of our second data centre building commenced in July 2013 and the development is expected to be completed around August 2016. Upon full operation of our second data centre building, we currently expect that it will provide an additional raised floor space of approximately 45,000 sq.ft.. The development cost of our second data centre building is expected to be approximately HK\$682 million and is intended to be funded through the net proceeds from the Share Offer, cash flows from our operations and bank loans.

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## SUMMARY

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### COMPETITIVE STRENGTHS

We believe that the competitive strengths of our construction business mainly lie in being an established main contractor with over 15 years of operations and stable relationship with our sub-contractors and suppliers and serving prominent local developers who have long business relationships with us. In our data centre premises leasing business, we have the competitive edge of having construction expertise to develop and build data centre buildings and a proven track record to provide raised floor space for high-tier data centres to multi-national corporations.

### BUSINESS STRATEGIES

Our principal strategies in further strengthening our construction business are to improve the operational efficiency and service quality of our construction business, such as using software for tendering and cost data management. To enhance our foothold in the local market of leasing of data centre premises, we plan to develop new data centre buildings, continuously upgrade our facilities at iTech Tower and strengthen the recognition of our brand, “iTech Tower”.

### OUR CUSTOMERS, SUB-CONTRACTORS AND SUPPLIERS

In respect of our construction business, we have established long and stable business relationships with our major customers, who are prominent local developers, some of which have had business relationships with us for over five years. During the Track Record Period and up to the Latest Practicable Date, we have had a small customer base of a total of 18 customers in respect of our construction business although such a situation is not specific to our Group given that according to the Ipsos Report, the residential property market in Hong Kong is dominated by a small number of local developers. We rely on a small number of customers in our business of leasing of data centre premises. As at the Latest Practicable Date, we have entered into agreements with three customers in relation to the leasing of all the raised floor space at our iTech Tower. All of them being multi-national corporations with office in Hong Kong.

Revenue from the top five customers of our Group (including both construction business and data centre premises leasing business) for the three years ended 31 March 2013 in aggregate accounted for approximately 88.6%, 94.3% and 97.4% of our total turnover, respectively. Revenue from our top customer of each of the years ended 31 March 2011, 2012 and 2013, being a prominent local developer and a customer of our construction business, accounted for approximately 54.5%, 69.7% and 61.2% of our total turnover of the respective year.

We delegate most of our construction works including steel bar fixing, concreting, plastering and mechanical and engineering works to our sub-contractors. For the three years ended 31 March 2013, our Group’s sub-contracting cost represented approximately 48.6%, 80.1% and 73.2% of our direct costs incurred, respectively. The major materials that we use in our construction business include reinforcement steel and concrete. During the same period, the top five suppliers of our Group, who were sub-contractors or suppliers of construction materials, accounted for approximately 42.4%, 42.9% and 42.8% of our total purchases, respectively, and our Group’s top supplier, who were sub-contractors or suppliers of construction materials, accounted for approximately 15.4%, 15.6% and 17.3% of our total purchases, respectively.

### RISK FACTORS

There are many risks involved in our operations, which are beyond our control, include (i) our cash flows from the construction business may fluctuate as we normally incur net cash outflows at the early stage of a project when we are required to make payments to our suppliers and sub-contractors in advance of receiving payments from our customers; (ii) the fees collected and our profit margin in our construction business may not be regular since our construction business is project-based and there can be no assurance that we will always be able to price our tender competitively; (iii) we may fail to identify suitable locations for and effectively manage the development of new data centre buildings

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## SUMMARY

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which is one of our principal business strategies; (iv) our reliance on a small number of customers in our data centre premises leasing business; and (v) our customers require our data centres premises to meet such standards and requirements as stipulated in the agreements with them, and any failure to meet their requirements may result in deduction of our fees or claims for damages. You should read the section headed “Risk Factors” in this prospectus carefully before investing in our Shares.

### **HISTORICAL NON-COMPLIANCE INCIDENTS**

There had been instances where our Group failed to comply with certain applicable Hong Kong laws and regulations and was criminally convicted during the Track Record Period and as at Latest Practicable Date, including: (i) failure to hold the first annual general meetings of Wellford Properties within 18 months after its incorporation; (ii) failure to lay profit and loss accounts and balance sheets at the first annual general meeting of Grand Tech Construction; (iii) inadvertent breach of the regulatory requirements relating to the filing of notifications with the Companies Registry within the prescribed time limit by Grand Tech Construction and Wellford Properties; (iv) failure to take adequate precautionary measures to ensure health and safety of employees at work in our construction business; (v) failure to include site staff directly employed by us in the daily attendance record containing information of the registered construction workers in a construction site for a period of 19 months and subsequently failed to include those site staff directly employed by us in the weekly site daily attendance report submitted to the Registrar of Construction Workers and (vi) unauthorised building works in iTech Tower. In addition, our Group has been and is involved in a number of civil claims, litigation and potential claims against our Group in relation to the personal injuries of workers at our construction sites.

Furthermore, our Group had failed to meet certain financial covenants in respect of certain short-term bank loans with a carrying amount of approximately HK\$77.1 million and HK\$11.1 million as at 31 March 2011 and 2012, respectively, due to the classification of our long-term bank loans as current liabilities as at the respective balance sheet dates. The relevant banks have not demanded immediate repayment of these short-term bank loans notwithstanding the breaches and waivers in respect of such breaches have been granted by them. The non-current portion of a major long term bank loan in the amount of approximately HK\$561.0 million was reclassified from current liabilities to non-current liabilities as at 31 March 2013 as we have obtained a letter of confirmation from the bank to remove the repayable on demand clause entirely from the loan agreement in September 2012. There had been no other breaches of financial covenants relating to our bank loans as at the Latest Practicable Date.

### **SUMMARY FINANCIAL INFORMATION**

We maintained a profitable operation during the Track Record Period. Our turnover increased by approximately 131.0% for the year ended 31 March 2012 and decreased by approximately 26.9% for the year ended 31 March 2013. The fluctuations in our turnover during the Track Record Period were mainly due to the difference in number, size, and progress of the construction projects undertaken by us in each of the respective year as we derived a substantial part of our turnover from our construction business during the Track Record Period that is subject to periodic variations from year to year given its project-based nature. Revenue attributable to our construction business increased by approximately 165.0% for the year ended 31 March 2012 and decreased by approximately 30.9% for the year ended 31 March 2013.

Revenue from our data centre premises leasing business increased by approximately 21.3% for the year ended 31 March 2012 mainly due to the increase in our rental income as a result of the leasing of additional premises within our iTech Tower. Revenue attributable to our data centre premises leasing business increased by approximately 1.8% for the year ended 31 March 2013 primarily due to the increase in our rental related income.

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## SUMMARY

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Our gross profit increased by approximately 25.3% for the year ended 31 March 2012 and further increased by approximately 19.9% for the year ended 31 March 2013. Our increase in gross profit during the Track Record Period was mainly due to the increase in revenue and gross profit attributable to our data centre premises leasing business with a higher gross profit margin. Our gross profit margin decreased from approximately 20.4% for the year ended 31 March 2011 to approximately 11.0% for the year ended 31 March 2012 which was primarily due to the reduced portion of turnover attributable to our data centre premises leasing business with a higher gross profit margin during this period. Our gross profit margin increased from approximately 11.0% for the year ended 31 March 2012 to approximately 18.1% for the year ended 31 March 2013. This was mainly due to the increase in gross profit margin of our construction business.

Compared with our net profit margins of approximately 9.6% and 19.3% for the years ended 31 March 2012 and 2013, respectively, we recorded higher net profit margin of approximately 54.1% for the year ended 31 March 2011, which was primarily due to greater amount of fair value gains on investment properties recorded for this year. The fair value gains on our investment properties accounted for a substantial part of our net profit during the Track Record Period. The increase in fair values of our investment properties during the Track Record Period were mainly as a result of our progress in converting the then existing industrial building into our iTech Tower, increase in our monthly rental income and the growth in property market in Hong Kong. The fair values of our iTech Tower are based on valuations conducted by an independent professional valuer using the discounted cash flow method, and the key assumptions and bases for the valuation as at 31 March 2013 are as follows:

### Key assumptions

- Average rental growth rate: 4.5%
- Allowance for agency or marketing costs and vacancy loss resulting from expired tenancies: Nil
- Average rate of increase in outgoings: 2.6%
- Discount rate and terminal capitalisation rate: 6% and 4.5% respectively

### Corresponding basis of the assumption

- With reference to the historical growth rate of the property market
- Taking into account the long lease term and tenants assumed to renew the tenancies upon expiration
- With reference to the change in the consumer price index
- With reference to average market yields for recent industrial transactions in the market and taking into account the size, tenure, marketability, quality of improvements and potential for capital gain of the properties

The fair value of our TCP Land located in Kwai Chung for the development of our second data centre building is based on a valuation conducted by an independent professional valuer using the direct comparison approach which is based on recent comparable market transactions of similar industrial properties in the vicinity with adjustments which take into account the date, location, size, and site layout of the respective comparable market transactions.

### Selected Combined Income Statement Items

	<b>For the year ended 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>	457,961	1,058,062	773,700
<b>Gross profit</b>	93,229	116,797	140,052
<b>Profit from operations</b>	278,440	139,752	190,044
<b>Changes in fair value of investment properties</b>	201,922	43,000	67,395
<b>Profit before taxation</b>	256,891	113,429	165,959
<b>Profit for the year</b>	<u>247,703</u>	<u>101,936</u>	<u>148,981</u>
<b>Adjusted net profit for the year after excluding changes in fair value of investment properties</b>	<u>45,781</u>	<u>58,936</u>	<u>81,586</u>

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## SUMMARY

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### Selected Balance Sheet Items

	As at 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
<b>Current assets</b>	345,367	413,095	302,251
<b>Current liabilities</b>	997,280	1,008,765	194,795
<b>Net current (liabilities)/assets</b>	(651,913)	(595,670)	107,456
<b>Net assets</b>	1,090,472	1,157,392	1,290,404
<b>Total assets</b>	2,103,247	2,211,858	2,292,427

### Net current (liabilities)/assets

We recorded net current liabilities of approximately HK\$651.9 million and HK\$595.7 million as at 31 March 2011 and 2012, respectively. Such net current liabilities positions were mainly due to the classification of our long-term bank loans as current liabilities in the amount of approximately HK\$714.3 million and HK\$666.5 million as at 31 March 2011 and 2012, respectively, mainly to support the development of iTech Tower, as the corresponding loan agreement included a repayment on demand clause giving the bank an unconditional right to call the loan at any time notwithstanding any other terms and maturity as set out in the loan agreement. In September 2012, we obtained a letter of confirmation from the bank to remove such repayable on demand clause entirely from the respective loan agreement of our major long-term loan and the non-current portion of such loan of approximately HK\$561.0 million was reclassified from current liabilities to non-current liabilities as at 31 March 2013. As a result, we recorded net current assets of approximately HK\$107.5 million as at 31 March 2013.

### Cash flows

We had net cash outflow from operating activities of approximately HK\$57.6 million for the year ended 31 March 2011, primarily as a result of the operating cash flows before working capital changes of approximately HK\$80.6 million partially offset by the increase in trade and other receivables of approximately HK\$69.5 million and the decrease in trade and other payables of approximately HK\$64.6 million. The significant increase in trade and other receivables was primarily due to the recognition of significant receivables for our Welfare Road (superstructure) project as the relevant certificate of progress payment was issued close to the year-end date of the year and the increase in rental receivable from one of the customers of our business of leasing of data centre premises. We had net cash outflow from investing activities of approximately HK\$63.1 million and HK\$123.4 million for the year ended 31 March 2011 and 2013, respectively, mainly attributable to the capital expenditure for the development of iTech Tower and our second data centre building, respectively. Our net cash used in financing activities of approximately HK\$186.6 million for the year ended 31 March 2012 was mainly attributable to the net repayment of bank borrowings of approximately HK\$139.3 million and payments for interest and other borrowing costs of approximately HK\$32.2 million and

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## SUMMARY

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and payments of dividends of approximately HK\$16.5 million to the former holding company, Grand Ming Holdings. The table below summarises our combined cash flows:

	<b>For the year ended 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/generated from operating activities	(57,635)	246,022	21,315
Net cash (used in)/generated from investing activities	(63,126)	582	(123,374)
Net cash generated from/(used in) financing activities	114,620	(186,592)	80,765
Net (decrease)/increase in cash and cash equivalents	(6,141)	60,012	(21,294)
Cash and cash equivalents at the beginning of the year	22,890	16,749	76,761
Cash and cash equivalents at the end of the year	16,749	76,761	55,467

### Listing expenses

The total expenses for the Listing to be borne by our Company are estimated to be approximately HK\$27.6 million, of which approximately HK\$9.4 million is directly attributable to the issue of new Shares to the public and to be accounted for as a deduction from equity and approximately HK\$18.2 million is to be charged to profit or loss of our Group. The listing expenses of approximately HK\$8.3 million were charged to the profit or loss of our Group for the year ended 31 March 2013, and approximately HK\$9.9 million are expected to be charged to the profit or loss of our Group for the year ending 31 March 2014.

### KEY FINANCIAL RATIOS

	<b>As at 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
Current ratio	0.3	0.4	1.6
Gearing ratio	77.4%	61.2%	64.8%
Debt to equity ratio	75.8%	54.6%	60.5%
Trade debtors turnover days	91	59	78
Trade creditors turnover days	83	50	59

	<b>For the year ended 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
Gross profit margin	20.4%	11.0%	18.1%
Net profit margin	54.1%	9.6%	19.3%
Return on equity	25.6%	9.1%	12.2%
Return on total assets	12.7%	4.7%	6.6%
Interest coverage	11x	4x	6x

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## SUMMARY

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### RECENT DEVELOPMENT OF OUR GROUP SUBSEQUENT TO THE TRACK RECORD PERIOD

Our business model, revenue and cost structure remained unchanged since 31 March 2013. Based on our unaudited management accounts, our unaudited turnover for the two months ended 31 May 2013 was lower than that for the two months ended 31 May 2012.

In our construction business segment, the unaudited revenue generated for the two months ended 31 May 2013 decreased by approximately 41.7% compared to that for the two months ended 31 May 2012. The decrease in revenue derived from our construction business was primarily due to the difference in number and progress of the construction projects undertaken by us during the respective period. Our gross profit margin in construction business remained stable for the two months ended 31 May 2013 as compared to that for the two months ended 31 May 2012. After 31 March 2013 and up to the Latest Practicable Date, we were awarded three existing building A&A works and renovation projects with a total contract value of approximately HK\$1.9 million which are expected to be completed within 2013.

In our data centre premises leasing business segment, the unaudited revenue generated for the two months ended 31 May 2013 increased by approximately 1.8% compared to that for the two months ended 31 May 2012. The increase in revenue derived from our data centre premises leasing business was primarily driven by the increase in our rental related income due to the greater amount of electricity charges received from our customers. Our gross profit margin in the data centre premises leasing business remained stable for the two months ended 31 May 2013 as compared to that for the two months ended 31 May 2012. As at the Latest Practicable Date, we maintained 100% occupancy rate at our iTech Tower and no customers had terminated their agreements with us subsequent to the Track Record Period.

As far as we are aware, there was no material change in the general economic and market conditions in the construction industry and data centre premises leasing industry in Hong Kong that had materially and adversely affected our business operations or financial conditions since 31 March 2013 and up to the Latest Practicable Date. Our Directors confirm that, up to the date of this prospectus, there has been no other material adverse change in our financial or trading position or prospects since 31 March 2013, being the date to which our latest audited financial statements were prepared.

### CONTROLLING SHAREHOLDERS INFORMATION

Immediately following the completion of the Share Offer and Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), BVI (CHAN) (as wholly-owned by Mr. Chan) will hold 270,000,000 Shares, representing 67.5% of the enlarged issued share capital of our Company.

### OFFERING STATISTICS

Market capitalisation at Listing	: HK\$360 million to HK\$444 million
Offer size	: Initially 25.0% (excluding Shares to be offered pursuant to the exercise of the Over-allotment Option and any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme) of the enlarged issued share capital of our Company
Over-allotment Option	: Up to 15.0% of the total number of the Offer Shares initially available under the Share Offer



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## SUMMARY

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Offer Price per Share	: HK\$0.90 to HK\$1.11 per Share
Board lot	: 4,000 Shares
Offering structure	: 90% Placing and 10% Public Offer (subject to reallocation and the Over-allotment Option)

### USE OF PROCEEDS

We estimate that the net proceeds to our Company from the Share Offer, after deducting the underwriting commissions and estimated expenses in relation to the Share Offer, will be approximately HK\$73.4 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK\$1.01 per Share, being the mid-point of the proposed Offer Price range set out in this prospectus. We intend to use the net proceeds for the following purposes:

Plans:	Approximate % or amount of net proceeds
• for the development of our second data centre building in Hong Kong	65.0% or HK\$47.7 million
• initial outlay for our new construction projects	24.5% or HK\$18.0 million
• sales and marketing activities	0.5% or HK\$0.4 million
• general working capital	10.0% or HK\$7.3 million

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS PER SHARE

Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company per Share <sup>(Note)</sup>:

- Based on an Offer Price of HK\$0.90 per Share	HK\$3.40
- Based on an Offer Price of HK\$1.11 per Share	HK\$3.45

*Note: Please see the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for further details regarding the assumptions used and the calculation method.*

### DIVIDEND AND DIVIDEND POLICY

During the years ended 31 March 2011, 2012 and 2013, we declared and paid dividends in the amount of HK\$1.0 million, HK\$16.5 million and HK\$20.0 million, respectively. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future. We currently intend to recommend dividends of no less than 30% of our profit (excluding net fair value gains or losses on investment properties) for each financial year after the Listing (that is, for the avoidance of doubt, commencing from the year ending 31 March 2014) for distribution to our Shareholders after the Share Offer, in the form of interim dividend or final dividend. Please refer to the paragraph headed "Dividend and dividend policy" of the section headed "Financial Information" in this prospectus for further details.

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## DEFINITIONS

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*Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.*

“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s), individually or collectively, as the context may require
“Architectural Services Department”	Architectural Services Department of the Hong Kong Government
“Articles of Association” or “Articles”	our articles of association, as conditionally adopted on 23 July 2013, and as amended from time to time, a summary of which is contained in Appendix IV to this prospectus
“associate”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	our board of Directors
“Building Authority”	the Director of Buildings as defined in the Buildings Ordinance
“Buildings Department”	Buildings Department of the Hong Kong Government
“Buildings Ordinance”	Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Business Day”	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“BVI (CHAN)”	Chan HM Company Limited, a company incorporated in the BVI with limited liability on 31 July 2012, all the issued shares of which are owned by Mr. Chan, the Controlling Shareholder of our Company
“BVI (Grand Tech Construction)”	GTC Holdings Ltd., a company incorporated in the BVI with limited liability on 3 August 2012, which is a wholly-owned subsidiary of our Company
“BVI (LAU)”	Lau CW Company Limited, a company incorporated in the BVI with limited liability on 31 July 2012, all the issued shares of which are owned by Mr. Lau

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## DEFINITIONS

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“BVI (Wellford Properties)”	Wellford Properties Holdings Ltd., a company incorporated in the BVI with limited liability on 3 August 2012, which is a wholly-owned subsidiary of our Company
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of a total of 299,990,000 Shares to be made upon the capitalisation of a sum of HK\$2,999,900 standing to the credit of the share premium account of our Company upon completion of the Share Offer referred to in the paragraph headed “Share Offer and Capitalisation Issue” of the section headed “History, Development and Reorganisation” in 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
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	chairman of our Board
“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “we” or “us”	Grand Ming Group Holdings Limited (佳明集團控股有限公司), a company incorporated in the Cayman Islands on 14 August 2012 as an exempted company with limited liability

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## DEFINITIONS

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“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 unless the context requires otherwise, refers to Mr. Chan and BVI (CHAN)
“Deed of Indemnity”	the deed of indemnity dated 23 July 2013 and executed by the Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries stated therein) with particulars set forth in the paragraph headed “Estate duty, tax and other indemnity” of the section headed “Statutory and General Information” in Appendix V to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 23 July 2013 and entered into by the Controlling Shareholders in favour of our Company with particulars set forth in the paragraph headed “Non-compete undertakings” of the section headed “Relationship with Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“Electrical and Mechanical Services Department”	Electrical and Mechanical Services Department of the Hong Kong Government
“Environmental Impact Assessment Ordinance”	Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Environmental Protection Department”	Environmental Protection Department of the Hong Kong Government
“ETWB”	Environment, Transport and Works Bureau of the Hong Kong Government, formerly a policy bureau of the Hong Kong Government, certain duties of which are now taken over by Environment Bureau, Transport and Housing Bureau and Development Bureau following the reorganization of the Policy Bureau and Government Secretariat
“ETWB Handbook”	Contractor Management Handbook (Revision B) July 2005 issued by ETWB
“Fire Services Department”	Fire Services Department of the Hong Kong Government
“GDP”	gross domestic product
“General Building Contractor Licence”	the inclusion of the register of general building contractors allowed by the Director of Buildings pursuant to the Buildings Ordinance

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## DEFINITIONS

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“Government” or “Hong Kong Government”	the government of Hong Kong
“Grand Ming Holdings”	GRAND MING HOLDINGS LIMITED (佳明控股有限公司), a company incorporated in Hong Kong with limited liability on 13 March 1984
“Grand Regal”	GRAND REGAL HOLDINGS LIMITED (盛輝集團有限公司), a company incorporated in Hong Kong with limited liability on 26 January 2004
“Grand Tech Construction”	GRAND TECH CONSTRUCTION COMPANY LIMITED (佳盛建築有限公司), a company incorporated in Hong Kong with limited liability on 31 August 1995, which is an indirectly wholly-owned subsidiary of our Company after the Reorganisation
“Grand Tech Enterprise”	GRAND TECH ENTERPRISE COMPANY LIMITED (佳盛企業發展有限公司), a company incorporated in Hong Kong with limited liability on 29 June 1995
“GREEN Application Form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context so requires, with respect to the period before which our Company became the holding company of our current subsidiaries, our Company’s current subsidiaries or the businesses operated by such subsidiaries or their predecessors (as the case may be)
“GTC Vision”	GTC Vision Limited (formerly known as Grand Tech Enterprise Group Ltd.), a company incorporated in the BVI with limited liability on 3 August 2012, which is a wholly-owned subsidiary of our Company
“HIBOR”	Hong Kong InterBank Offered Rate
“HK eIPO White Form”	applying for Public Offer Shares to be issued in your own name by submitting applications online through the designated website at <b>www.hkeipo.hk</b>
“HK eIPO White Form Service Provider”	the <b>HK eIPO White Form</b> service provider designated by our Company, as specified on the designated website <b>www.hkeipo.hk</b>
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKASs”	Hong Kong Accounting Standards

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## DEFINITIONS

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“HKFRSs”	Hong Kong Financial Reporting Standards (which include HKASs) issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Housing Authority”	Hong Kong Housing Authority
“Housing Department”	Housing Department of the Hong Kong Government
“Independent Third Party”	a party which is not connected (within the meaning of the Listing Rules) to our Company or our connected persons
“Ipsos”	Ipsos Hong Kong Ltd., an independent market research company
“Ipsos Report”	a report in respect of the construction industry and industry of leasing of data centre premises, and other matters, issued by Ipsos dated 30 July 2013 and commissioned by us
“Issuing Mandate”	the general unconditional mandate given to our Directors by the Shareholders relating to the issue of new Shares, further details of which are contained in the paragraph headed “Resolutions in writing of the Shareholders passed on 23 July 2013” of the section headed “Statutory and General Information” in Appendix V to this prospectus
“Labour Department”	Labour Department of the Hong Kong Government
“Lands Department”	Lands Department of the Hong Kong Government
“Latest Practicable Date”	21 July 2013, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date expected to be on or about 9 August 2013 on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Mr. Chan”	Mr. Chan Hung Ming, our Chairman and executive Director and the Controlling Shareholder of our Company, who has 100% interest in BVI (CHAN), which in turn owns 90% interest in our Company before Listing
“Mr. Lau”	Mr. Lau Chi Wah, our executive Director and chief executive officer, who has 100% interest in BVI (LAU), which in turn owns 10% interest in our Company before Listing
“Offer Price”	the final Hong Kong dollar price per Offer Share (before brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which Shares are to be subscribed or purchased pursuant to the Share Offer, which will not be more than HK\$1.11 and is currently expected to be not less than HK\$0.90, to be determined as described in the paragraph headed “Determination of the Offer Price” of the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“OGCIO”	Office of the Government Chief Information Officer of the Hong Kong Government
“Over-allotment Option”	the option to be granted by our Company to the Placing Underwriters under the Placing Underwriting Agreement pursuant to which our Company may be required by the Sole Lead Manager (for itself and on behalf of the Placing Underwriters), to allot and issue up to 15,000,000 additional new Shares, representing 15% of the Offer Shares initially available under the Share Offer, at the Offer Price to, among other things, cover over-allocations in the Placing, if any
“Over-allotment Shares”	up to 15,000,000 Shares which our Company may be required to issue at the Offer Price pursuant to the Over-allotment Option
“Placing”	the conditional placing by the Placing Underwriters of the Placing Shares for cash at the Offer Price plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% details of which are described in the section headed “Structure and Conditions of the Share Offer” in this prospectus on and subject to the terms and conditions stated herein and in the Placing Underwriting Agreement

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## DEFINITIONS

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“Placing Shares”	the 90,000,000 new Shares initially being offered for subscription by our Company at the Offer Price under the Placing (subject to adjustment as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus) together with (unless the context otherwise requires) any Shares issued pursuant to any exercise of the Over-allotment Option
“Placing Underwriters”	the group of underwriters led by the Sole Lead Manager, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional placing agreement relating to the Placing and to be entered into by, among others, our Company and the Sole Lead Manager for itself and on behalf of the Placing Underwriters on or about the Price Determination Date
“Planning Department”	Planning Department of the Hong Kong Government
“Price Determination Date”	the date, expected to be on or about Friday, 2 August 2013 (Hong Kong time), when the Offer Price is determined and, in any event, no later than Thursday, 8 August 2013
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription by the public in Hong Kong as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“Public Offer Shares”	the 10,000,000 new Shares initially being offered for subscription by our Company at the Offer Price under the Public Offer (subject to adjustment as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus)
“Public Offer Underwriters”	the underwriters of the Public Offer named in the section headed “Underwriting” in this prospectus
“Public Offer Underwriting Agreement”	the public offer underwriting agreement dated 29 July 2013 relating to the Public Offer entered into by, among others, our Company, the Sole Lead Manager and the Public Offer Underwriters



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## DEFINITIONS

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“Rating and Valuation Department”	Rating and Valuation Department of the Hong Kong Government
“Registrar of Construction Workers”	the registrar appointed under section 36(1) of the Construction Workers Registration Ordinance
“Regulation S”	Regulation S under the U.S. Securities Act
“related parties”	has the meaning as set out in the paragraph headed “Related parties” under note 1(w) to Section B of the Accountants’ Report set out in Appendix I to this prospectus
“Reorganisation”	the reorganisation arrangements undertaken by our Group in preparation for the Listing, which are described in more detail in the section headed “History and Development and Reorganisation” and the paragraph headed “Group reorganisation” of the section headed “Statutory and General Information” in Appendix V to this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to the Directors by the Shareholders, further details of which are contained in the paragraph headed “Resolutions in writing of the Shareholders passed on 23 July 2013” of the section headed “Statutory and General Information” in Appendix V to this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“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) in the share capital of our Company, with a par value of HK\$0.01 each
“Share Award Plan”	the share award plan adopted by our Company on 23 July 2013, the principal terms of which are summarised in the paragraph headed “Share Award Plan” of the section headed “Statutory and General Information” in Appendix V to this prospectus
“Share Award Plan SPV”	a special purpose vehicle which may be established by the Share Award Plan Trustee subject to the provisions of the trust deed to be executed by our Company as settlor and the Share Award Plan Trustee as trustee

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## DEFINITIONS

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“Share Award Plan Trustee”	such trustee or trustees as shall be from time to time appointed by our Company for the administration of Shares and other trust fund for the implementation of the Share Award Plan
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 23 July 2013, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” of the section headed “Statutory and General Information” in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of Shares
“Sole Bookrunner”, “Sole Lead Manager” and “CISL”	Cinda International Securities Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in securities) regulated activity
“Sole Sponsor”	Cinda International Capital Limited, a licensed corporation under the SFO of carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
“sq.m.”	square metre
“sq.ft.”	square feet
“Stabilising Manager”	CISL
“State”, “state” or “PRC Government”	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilising Manager and BVI (CHAN) on or around the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“TCP Land”	our piece of land situated at 54-56 Ta Chuen Ping Street (Lot No. 326 in D.D.444), Kwai Chung, Hong Kong, for the development of our second data centre building

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## DEFINITIONS

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“Track Record Period”	the period consisting of the three financial years ended 31 March 2013
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions subject to its jurisdiction
“US\$”, “US dollars” or “USD”	United States dollars, the lawful currency of the United States
“WBDB”	Works Branch of the Development Bureau of the Hong Kong Government
“Wellford Properties”	WELLFORD PROPERTIES LIMITED (偉豐置業有限公司), a company incorporated in Hong Kong with limited liability on 7 March 2006, which is an indirectly wholly-owned subsidiary of our Company after the Reorganisation
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“Winning Tech”	WINNING TECH LIMITED (焯創有限公司), a company incorporated in Hong Kong with limited liability on 19 October 2012, which is an indirectly wholly-owned subsidiary of our Company
“WSP”	<p>WSP Hong Kong Limited, an Independent Third Party and an engineering consultancy and built environment consultancy company which provides integrated design and consultancy service for uninterruptible power and infrastructure services associated with banking facilities, dealing floors, data centres, web hosting and co-location projects</p> <p>WSP is a member of the Hong Kong Association of Consulting Engineers and is qualified on the approved list of consulting engineers under a number of government or semi-government organisation, including but not limited to the Architectural Services Department, Electrical and Mechanical Services Department and Buildings Department</p>
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent.

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## DEFINITIONS

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*Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-Allotment Option.*

*All times refer to Hong Kong time.*

*Unless otherwise specified, references to years in this prospectus are to calendar years.*

*Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and as they are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.*

“A&A works”	alteration and addition works, which refers to building work that is done on an existing building, for example, constructing a new extension block, adding additional floors, combining two or more units into one by removing the partition walls, subdividing a unit into smaller units, adding water tanks, structural frames for air-conditioning or other plant and machinery
“building construction”	building construction mainly involves engineering construction of substructure and superstructure of building structural frames and external building envelopes either by reinforced concrete facades, curtain walling, metal cladding and/or marble facades with external architectural features, fins and sun-breakers. It also provides the buildings with internal fitting-out works, interior decoration works and accommodation facilities such as provisions of building services, electrical and mechanical installation, plumbing and drainage discharge systems, external landscaping hard and soft works, underground utilities services and community services
“data centre”	a facility used to house computer systems and associated components, such as data communications and storage systems. It generally includes redundant power supplies and environmental control systems (e.g., air conditioning, fire suppression)
“floor slab”	a common structural element of modern buildings, which is often used to construct floors and ceilings

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## GLOSSARY OF TECHNICAL TERMS

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“high-tier data centre”	according to practice note issue no. 3/2012 issued by the Lands Administration Office of the Lands Department, means a data centre (a) designed to support concurrent maintenance such that the data centre services will not be interrupted during planned maintenance to the components in the data centre, which is also designed for high availability of operation and services to a level as generally accepted by the industry; and (b) generally includes (i) redundant telecommunications access; (ii) redundant support components (including but not limited to power generator and cooling equipment); (iii) redundant power and cooling distribution paths; (iv) dedicated and environmentally controlled space for the computer room; (v) dedicated cooling equipment; and (vi) dedicated power generator and associated fuel tank. According to the practice note, the redundant systems will be able to take over the functions of the primary systems to ensure uninterrupted operation; and the dedicated equipment will be used solely for the operation of the data centre and will not be shared with non-data centre uses
“ICT”	information and communication technology
“IMS”	integrated management system, a management system which integrates all components of the Company’s business into a coherent system, in areas relating to quality, health and safety, environment, personnel, finance and security, etc.
“ISO”	short form of the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, who develop and publish International Standards such as management system standards
“ISO 9000”	a family of standards set by ISO for quality management system where an organisation needs to demonstrate its ability to provide products that fulfil customers and applicable regulatory requirements and aim to enhance customer satisfaction. ISO 9001 is a member of that family and ISO 9001:2008 provides a set of standardised requirements for a quality management system
“ISO 14000”	a family of environmental management standards set by ISO enabling a company to continually improve its environmental performance and to identify and control its environmental impacts. ISO 14001 is a member of that family and ISO 14001:2004 specifies the requirements for such environmental management system

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## GLOSSARY OF TECHNICAL TERMS

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“IT&T Industries”	information technology and telecommunications industries
“main contractor” or “principal contractor”	a contractor who enters into a contract directly with the employer of a project, and assumes full responsibility for the satisfactory completion of the construction work. A main contractor or a principal contractor operating at construction sites must be registered under the Building Ordinance for the capability and responsibility of undertaking new construction work
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing health and safety risks associated with a business
“raised floor space”	built-up floor space available in data centres for provision of data centre services, which may be measured in sq. ft. or sq.m.
“TIA” or “Telecommunications Industry Association”	a trade association with headquarters in the United States, representing the global ICT industries through standards development, policy initiatives, market intelligence, and worldwide environmental regulatory compliance
“TIA-942 Standard”	the telecommunications infrastructure standard for data centres published/approved by the Telecommunications Industry Association that provides requirements and guidelines for the design and installation of a data centre
“UPS”	uninterruptible power supply
“wholesale co-location service”	the offering of mainly the space required for operating a data centre which does not include the work of rolling in the servers and racks, or cabling up the gear. Wholesale co-location providers usually buy or build data centres, and lease the data centre premises, on very large portions of them, mainly to data centre operators

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as “may”, “will”, “should”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “continue”, “seek”, “estimate” or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy, prospects and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectation and assumptions regarding our business, the economy and other future conditions. We can give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political economic, business, competitive, market and regulatory conditions and the following:

- our goals and strategies;
- our ability to stay abreast of market trends and maintain commercially reasonable relationships with our customers and suppliers;
- our ability to retain core team members and recruit qualified and experienced new team members;
- our ability to maintain an effective quality control system;
- our prospective financial information; and
- the other factors that are described in the section headed “Risk Factors” in this prospectus.

Any forward-looking statement made by us in this prospectus speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.



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## RISK FACTORS

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*Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to our Company. The occurrence of any of the following events could harm us. If any of these events occur, the trading price of the Shares could decline and you may lose all or part of your investment.*

### **RISKS RELATING TO OUR DATA CENTRE PREMISES LEASING BUSINESS**

#### **We are subject to risks associated with the development of new data centre buildings**

To cater for the increasing demand for our high-tier data centre premises and to continue to support our growth, we plan to continue to explore opportunities to develop new data centre buildings in Hong Kong. The development of a new data centre building involves the selection and acquisition of appropriate land or property(ies), construction of the necessary infrastructures, installation of the necessary equipment and the hiring of the necessary operation personnel, and all of these require substantial resources. While the expenditure in respect of the development of our second data centre building is intended to be primarily funded by the net proceeds of the Share Offer, bank loan facilities and cash flows from our operations, it is intended that expenditure in relation to the development of any future new data centre buildings will be primarily funded by debt financing. However, there can be no assurance that we will be successful in raising sufficient capital in the future. In the event that we are unable to raise sufficient capital, the development of our new data centre buildings may have to be delayed or, if the circumstances require, abandoned and may impose difficulties on us to respond to competitive pressures. Even if we successfully raise sufficient capital, our plan to establish a new data centre building in the future may also be delayed as a result of unforeseen events. There can be no assurance that we will be successful in identifying such suitable location in a timely manner, and acquiring the relevant building(s) or land(s) at reasonable cost or on terms and conditions acceptable to us. Also, there can be no assurance that we will succeed in obtaining all the relevant approval (including the approval for application for lease modification), consent or permit from the relevant Hong Kong Government authorities required for the development of a data centre building in Hong Kong in a timely manner. Further, even if we succeed in identifying suitable location, acquiring land or existing building suitable for conversion into a data centre building and obtaining all the required approval, consent or permit, in order to effectively manage the development of a new data centre building, we will need to continue to improve our operational efficiency and expand our employee base. There can however be no assurance that we will succeed in doing so. If we fail in any of the above in connection with the development of a new data centre building in the future, our plan to develop new data centre buildings in the future may be delayed or abandoned and the prospect of future growth of our business of leasing of data centre premises may be materially adversely affected.

As a result, taking into account of the development of our second data centre building and the above circumstances, the proceeds from the Share Offer may not be utilised in the way as described in the section headed “Future Plans and Use of Proceeds” of this prospectus and such changes in the use of our proceeds may have a material adverse effect on the prospect and future growth of our business of leasing of data centre premises.

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## RISK FACTORS

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The development cost of our second data centre building is expected to be approximately HK\$682 million and a portion of which is intended to be funded out of bank loans. Our Group has obtained a bank facility in the amount of HK\$570 million for the development of our second data centre building, which is available for drawdown according to the construction phase of our second data centre building. The drawdown of the above facility for development of our second data centre building may progressively increase our gearing ratio. Also, given that we will not receive any rental income from our second data centre building before it comes into operation and we will fund a portion of the development cost out of the cash flows from our operation, our liquidity position will be adversely affected that could increase our vulnerability to adverse economic or industry conditions, limit our flexibility and reduce the availability of our working capital to fund the future expansion of our construction business, and affect our credit positions that may lead to an increase in our future finance costs and the banks may require us to agree on restrictive covenants when granting new loans to us and limit our flexibility in conducting business activities in the future. If these circumstances occur, our results of operations, prospect and future growth may be materially and adversely affected. Also, the estimated development cost of approximately HK\$682 million for our second data centre building is estimated by our Directors based on the existing development plan and the estimated construction costs to be incurred with reference to the prevailing market condition in the construction industry. The expected development cost may increase due to factors beyond our control (such as increasing construction material costs and sub-contracting costs as a result of sudden shortage of supply of construction materials and labour) that may adversely affect our cash flow and profitability.

Further, significant expenditure relating to the development of our second data centre building will be incurred before we can commence generating revenue from such building, and once the data centre building is ready to take on tenants, it may take an extended period to approach break-even occupancy. There can be no assurance that we will be able to anticipate accurately the customers' demand for such raised floor space or that we will be able to attract a sufficient number of customers to such premises. If we fail to attract customers to our new data centre building in a timely manner, the profitability of our business of leasing of data centre premises may be materially and adversely affected.

### **Developing our second data centre building by constructing a brand new data centre building may involve a relatively long development time**

Development of our second data centre building will be carried out by constructing a brand new data centre building according to our current development plan. Therefore, the construction time required will be longer than that of converting an existing industrial building into a data centre building. We currently expect that the construction time of the phase one development of our second data centre building will be about 2 years and 5 months. It took us only approximately 12 months to build and convert the then existing industrial building, complete the associated A&A works and building services engineering works of our iTech Tower before we handed over the premises to our first customer.

There can be no assurance that the market demand will not change prior to the completion of the development of our second data centre building. Further, in view of the relatively long development time, many of the assumptions on which we have based in formulating the development plan for our second data centre building may be affected by factors that are beyond our control. If the actual

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## **RISK FACTORS**

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economic conditions or other factors affecting the market demand or the development of our second data centre building fluctuate materially during the development stage, our actual development plan could differ materially from that described in this prospectus. In the event that the actual circumstances differ from our assumptions significantly, thereby resulting in a material change in the development plan for the development of our second data centre building and incurring additional costs, or that the market demand changed prior to completion of the development of our second data centre building, our profitability, results of operations, prospect and future growth may be materially and adversely affected.

### **We rely on a small number of customers in relation to our data centre premises leasing business**

As at the Latest Practicable Date, we had entered into long-term agreements, ranging from five to 20 years, with three customers in relation to the leasing of all the raised floor space at iTech Tower. During the Track Record Period, the aggregated revenue from each of these three customers of our data centre premises leasing business accounted for approximately 57.7%, 25.1% and 17.2% of our total revenue from data centre premises leasing business, respectively. There can be no assurance that our existing customers will renew the existing agreements with us when such agreements expire. If our existing customers do not renew their agreements with us and we are unable to find new customers, it may have a material adverse effect on our operation and profits in relation to our data centre premises leasing business. Further, even if our existing customers renew their agreements with us, or we are able to find new customers, there can be no assurance that their agreements with us will not be terminated before they expire, the fees are acceptable to us, or that the customers will always make payments of their fees under such agreements on time. If these circumstances occur, it may have a material adverse effect on the operating results and profitability in relation to our data centre premises leasing business.

### **Breach or failure to meet the requirements stipulated in the agreements with our customers or their licensees may result in deduction of our fees or claim for loss or damages**

Most of our agreements with our customers are subject to specific requirements with damages claimable against our Group if our Group does not meet the requirements. Our customers generally require our data centre premises to meet such standards and requirements as stipulated in our agreements with them. If any dispute arises between our Group and our customers in relation to our data centre premises, and the dispute cannot be resolved or settlement cannot be reached, then such dispute may result in deduction of fees payable by the customers or cause our Group to face claims for loss or damages from our customers or claims for loss or damages from the licensees of our customers for which we may be jointly responsible with our customers, which may adversely affect our liquidity and cash flow and have a material adverse effect on our business, financial condition, results of operations, reputation and prospect of our data centre premises leasing business.

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## RISK FACTORS

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### **Our facilities at the data centre building are exposed to risks of damage and system failure resulting from circumstances, some of which are beyond our control**

Our success in our data centre premises leasing business is dependent upon our ability to protect our facilities against damage resulting from human error, fire, power loss, telecommunications failures, intentional acts of vandalism and events of similar kind. Notwithstanding the precautions which have been or will be taken by us, the unanticipated occurrence of natural disasters or other events of an unforeseen nature will affect the serviceability and availability of the data centres of our tenants or cause significant damage to our facilities in relation to our data centre premises leasing business. Similarly, events such as human error or other operational disruption could result in interruptions in the operation in relation to the data centres of our tenants. If any such event occur, the premises we leased may fail to meet our customers' requirements, which may have a material adverse effect on the operating results of data centre premises leasing business. There can be no assurance that our liability insurance would adequately cover the loss resulting from the aforesaid events.

### **The operation of our data centre premises leasing business is currently located in a single data centre building**

The operation of data centre premises leasing business is currently located in a single data centre building. In the event that any incident which will hinder the daily operation of or cause catastrophic damage to our single data centre building takes place, our Group's operations and financial results in respect of our data centre premises leasing business may be materially and adversely affected.

### **The waivers obtained for the raised floor space of iTech Tower which have been used as data centre premises are subject to certain conditions and may be revoked if such conditions are not complied with**

We have obtained lifetime temporary waivers for all of the raised floor space of iTech Tower which have been used as data centre premises. Such waivers, while subject to certain conditions, are for the lifetime of iTech Tower. The conditions include (1) obtaining all necessary licences, approvals and permissions required from the Government or statutory authorities for the use of the premises for the purpose of IT&T Industries prior to the operation of the IT&T Industries on the premises; (2) maintaining and operating the IT&T Industries at the premises in all respects in compliance with all laws and regulations. If, in the determination of the directors of the Lands Department, there is any breach of the conditions of the waivers, or the premises are used for any purposes in breach of any laws and regulations, or any necessary licences, approvals or permission required from the Government or statutory authority has not been obtained, the waivers may be revoked.

Our compliance with the conditions and the continuance of the waivers are subject to uncertainties which are beyond our control, such as the changes and tightening of the laws and regulations in Hong Kong from time to time. There can be no assurance that the laws and regulations in Hong Kong will not change and the conditions of the waivers will continue to be fulfilled and the waivers will continue to sustain. In the event that the conditions are not complied with in the determination of the directors of the Lands Department and the waivers are revoked as a result, our Group's operations and financial results may be adversely affected.

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## RISK FACTORS

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**We are subject to risks of termination of the main contracts and receipt of fees from the main contractors in the leasing of our data centre premises where we act as a sub-contractor and termination of the leasing agreements by our customers without cause**

We act in the capacity as sub-contractor of our customer in two of our agreements for the leasing of premises in our iTech Tower involving approximately 50.8% of the total raised floor space in iTech Tower and such agreements are subject to termination of the main contracts. However, whether the main contracts, to which our Group is not a contracting party, will be terminated is subject to many factors which are beyond our control and one of those main contracts contains a termination clause allowing our customer's licensee to terminate the main contract with our customer without cause by giving notice to them. There can be no assurance that the main contracts will not be terminated by the contracting parties in the future. In the event that the main contracts are terminated, our relevant agreements for leasing of data centre premises will, as a result, be terminated. Furthermore, two of the agreements for leasing of premises in our iTech Tower involving approximately 29.2% of the total raised floor space in iTech Tower also contain a termination clause allowing our customers to terminate the agreements without cause by giving notice to us. Our total revenue attributable to the rental income in connection with the above four agreements in aggregate represented approximately 77.9% of our total revenue attributable to the rental income of our business of leasing of data centre premises during the Track Record Period. If these agreements are terminated, this may materially and adversely affect our profitability, results of operation and prospects.

Further, under the agreements for leasing of premises in our iTech Tower where we act as sub-contractor of our customers, the payment of the fees by our customer to us thereunder is subject to the receipt of the corresponding amount by our customer from its licensees. Please refer to the paragraph headed "Customers" of the section headed "Business" for further details. There can be no assurance that the licensees of our customer will not default in making payment, thereby resulting in default on the part of our customer in making payment to us and, in such event, our profitability and results of operation may be materially and adversely affected.

**We are facing potential competition from well-resourced property companies which would be able to convert industrial buildings under their portfolios into data centre buildings**

We developed iTech Tower principally by converting an existing industrial building. It is also one of our business strategies to develop new data centre buildings in Hong Kong by identifying suitable land for building new data centre buildings or identifying existing industrial buildings that are suitable for converting into data centre buildings. Well-resourced property companies would also be able to convert industrial buildings under their portfolios in Hong Kong into data centre buildings using the approach adopted by us by obtaining lifetime temporary waivers from the Lands Department if they plan to tap into the business of leasing of data centre premises in Hong Kong. Encouraged by the incentive programmes of the Hong Kong Government to convert industrial buildings into data centre buildings (please refer to the paragraph headed "Hong Kong Government support and incentives" of the section headed "Industry Overview" for further details of the Hong Kong Government incentives), the entry of such well-resourced property companies may intensify the competition in the market, which may have an adverse effect on the prospect of future growth and market share of our business of leasing of data centre premises in Hong Kong. Our results of operations may also be adversely affected if we face intense competition from well-resourced property companies in Hong Kong.

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## **RISK FACTORS**

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### **Our data centre premises leasing business has a limited operating history**

Our data centre premises leasing business has a limited operating history and we only started to engage in data centre premises leasing business in 2007. The prospects for our data centre premises leasing business must be considered in the light of the risks and uncertainties frequently encountered by companies in their early stage of development.

### **The global financial crisis had negative repercussions on our target customers**

The global financial crisis in 2008 and the recent European sovereign-debt crisis caused substantial volatility in the capital markets and a downturn in the global market. Demand for high-tier data centres may decrease since our target customers, who are multi-national data centre operator, telecommunications company and financial institution, may have been adversely impacted during the market fluctuation. Furthermore, if a number of our current customers terminate their agreements with us due to financial constraints, our Group's operations and financial results may be adversely affected.

### **The market in which our data centre premises leasing business operates is subject to rapid technological development and changing customer demands**

The market in which our data centre premises leasing business operates is subject to rapid technological development and changing customer demands. Our future success will depend on our ability to adapt to rapidly developing technologies, to adapt new equipment and facilities to evolving industry standards and our ability to improve continuously the serviceability and availability of the data centres of our tenants in response to the evolving demands of the market. There can be no assurance that we will be able to adapt to such developments and changes. Should we fail to do so, such failure may have a material adverse effect on the prospects and future growth of our data centre premises leasing business.

### **Our data centre premises leasing business may be subject to competition from other companies with greater resources**

The Hong Kong Government had announced in its budget for the financial year ended 31 March 2013 that it will support the development of Hong Kong into a regional data centre hub. In line with such an announcement, the Hong Kong Government also announced that two measures, namely, the exemption of waiver fees for changing industrial buildings into data centres, and the assessment for lease modifications of industrial lots into data centres to be made on the basis of actual development intensity, would be introduced for the purpose of encouraging the use of existing industrial buildings or industrial lots for leasing of data centre premises. There can be no assurance that new market players, including those of comparable size to us and with more resources, will not enter the Hong Kong market of leasing of data centre premises. The entry of the aforesaid new market players in the Hong Kong market may have a material adverse effect on the prospect of future growth and market share of our data centre premises leasing business. Our results of operations may be adversely affected if we lose our competitive edge.

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## RISK FACTORS

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### RISKS RELATING TO OUR CONSTRUCTION BUSINESS

#### **Our cash flows may fluctuate due to the payment practice applied to our projects**

As far as construction projects are concerned in which our Group acts as a main contractor, we normally incur net cash outflows at the early stage of a project when we are required to make payments to our suppliers and sub-contractors in advance of receiving payments from our customers. Our customers will pay progress payments to us with reference to the progress of works completed and such works and payments are certified by architects engaged by our customers. Accordingly, the cash flows of a particular project will turn from a net cash outflow at the early stage into an accumulative net cash inflow gradually in the normal course of the project as the works progress. We had net cash outflow from operating activities of approximately HK\$57.6 million for the year ended 31 March 2011.

We undertake a number of projects at the same time, and in the normal course of business, the cash outflows of a particular project are compensated by the cash inflows of other projects. If the cash outflows of a particular project or a number of projects cannot be compensated by the cash inflows of our other projects at a particular point of time, our corresponding cash flow position as well as our financial position may be adversely affected.

#### **We are subject to the risks associated with the tendering process and our profitability may be reduced if we wish to maintain the competitiveness of our tender price**

The projects undertaken by us are awarded on a case-by-case basis through tendering and to secure new construction works, we have to go through a competitive tendering process. In the event that we are unable to succeed in our tender competitively or maintain business relationships with our existing customers, our revenue and results of operations will be adversely affected.

Further, the profitability of our construction business is dependent on the price of our tender, which is determined based on the estimated costs to be incurred plus a mark-up. If a significant mark-up is made upon the estimated costs, then our tender price may be less competitive. On the other hand, if the tender price set by us is too low, then in the event that the time and costs actually involved in completing the construction works undertaken by us exceed our estimation at the time when the tender was submitted, which may be caused by factors beyond our control such as shortage of labour, our profitability may be materially and adversely affected.

#### **Failure to fully comply with the schedule as required under the construction contracts may result in liquidated damages being imposed on us**

Our construction contracts generally provide for specific completion schedule requirements with liquidated damages charged to us in the event that we fail to meet the aforesaid schedule requirements. Such liquidated damages are generally levied at a rate as provided in the relevant contract for each day of delay. Hence, if we fail in meeting the aforesaid schedule requirements of the relevant contract, we may have to pay liquidated damages, thereby adversely affecting our liquidity and cash flows as well as our financial condition, results of operations and reputation.

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## RISK FACTORS

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**Given that our construction business is project-based, the fees collected and our profit margin may not be regular and are not recurring in nature**

Given that our construction business is project-based, and that the fees and profit margin in respect of the relevant construction project are dependent on the price of our tender, which may be affected by factors such as the terms of the construction contracts, the length of the contract period, the expected costs of the construction works and the general market conditions, there can be no assurance that we will always be able to price our tender competitively and if we fail to do so, the results of operations in respect of our construction business will be adversely affected. Even if we are able to price our tender competitively, there can be no assurance that the profitability of a project in relation to our construction business can be maintained or estimated at any particular level given the nature of construction works and the actual implementation of construction projects may include obstacles, such as an increase in labour and deviation in the construction material costs, which may not have been anticipated during the tendering stage.

Further, since the bids for the construction projects are won by us on a case-by-case basis, the revenue derived from such projects is not recurring in nature. Accordingly, there can be no assurance that we will be able to continue to maintain business relationships with our existing customers, nor can there be assurance that our existing customers will continue their business relationships with us after the completion of the current construction projects. The revenue derived from a construction contract is recognised according to our estimate of the total outcome of the construction project in question as well as the percentage of completion of construction works. The actual outcome of the contract in terms of total turnover, and duration and costs may therefore be higher or lower than our estimation.

**Personal injuries, property damage or fatal accidents may occur if there is a failure to successfully implement safety measures on construction sites**

During the Track Record Period and as at the Latest Practicable Date, our Group has been and is involved in a number of civil claims, litigation and potential claims against our Group in relation to our construction business which include: (i) employees' compensation claims under the Employees' Compensation Ordinance and personal injuries claims under common law against our Group; and (ii) sub-contractors' claim. Please refer to the paragraph headed "Legal proceedings and compliance" of the section headed "Business" for further details.

We require and monitor our sub-contractors to abide by and implement all safety measures and procedures in the operation of our construction business. However, there can be no assurance that there will not be any violations of rules, laws or regulations on the part of the sub-contractors. In the event that our sub-contractors fail to implement safety measures in our construction sites and personal injuries, property damage or fatal accidents occur, litigation may arise which will adversely affect our reputation and financial position.

Further, there can be no assurance that new ordinances and regulations will not be introduced in the future, nor can there be assurance that we will be able to comply with all of such new ordinances and regulations. The operation of our construction business may be adversely affected in the event that we fail to comply with any of such new ordinances and regulations.



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## RISK FACTORS

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**The actual costs incurred in implementing the construction projects may deviate from our initial estimation at the time of tendering due to fluctuations in construction material costs after submission of tender**

The costs of construction materials and sub-contracting charges represent a substantial portion of our direct costs. During the Track Record Period, the costs of construction materials and sub-contracting charges together amounted to approximately 77.4%, 90.4% and 82.1% of the total direct costs in respect of our construction business for each of the years ended 31 March 2011, 2012 and 2013, respectively. The sub-contracting agreements we enter into with our sub-contractors are generally fixed price contracts where the sub-contracting fees are pre-determined at the time we commence a construction project. However, while we estimate our construction material costs when we price our tenders for construction projects, the actual costs may fluctuate during the course of implementation of the construction project. Any deviation between the estimated material costs at the time we submit the tenders and the actual costs to complete the projects may affect our financial performance and profitability.

**We rely on a limited number of customers who do not have long-term commitments with us and may terminate their relationships with us any time**

We relied on a limited number of customers in respect of our construction business during the Track Record Period and as at the Latest Practicable Date. We have a total of 13, 13 and 10 customers in respect of our construction business for the years ended 31 March 2011, 2012 and 2013, respectively. Over the same period, revenue from the top five customers of our construction business amounted to approximately HK\$343.4 million, HK\$924.2 million and HK\$639.6 million, respectively, representing approximately 98.2%, 99.7% and 99.9% of our total revenue from construction business, respectively.

Our results of operations in relation to our construction business will continue to depend on (i) our ability to continue to secure construction projects from our customers; (ii) the financial condition and commercial success of our customers; and (iii) factors that affect the Hong Kong construction industry. We cannot assure that we will be able to maintain or improve our relationships with our major customers of our construction business and any of them may terminate their respective relationships with us any time. Any material delay, termination or reduction of number or contract value of construction projects obtained from customers in relation to our construction business could cause the revenue of our construction business to decrease significantly, and in any such event, our results of operations may be materially and adversely affected.

In addition, our major customers of our construction business are contract-based and do not have long-term commitments with us. Furthermore, our relationships with our major customers are non-exclusive and largely dependent on goodwill. There can be no assurance that we will be able to diversify the composition of our customer base. In the event that any of our major customers materially reduces, delays or terminates their construction projects with us, we might not be able to secure construction projects on similar terms in a timely manner from other customers. If any of the foregoing events occurs with the current customers of our construction business, there may be a material adverse effect on our business, financial condition and results of operations.

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## **RISK FACTORS**

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### **The works of the projects in respect of our construction business are labour intensive and the labour supply may not be always stable**

The works of our construction projects are labour intensive. There can however be no assurance that the supply of labour will always be stable. In the event that we or our sub-contractors fail to recruit sufficient labour in a timely manner, or if there is a significant increase in the costs of labour, we may not be able to complete the project works within the expected budget and schedule and our operations and profitability of our construction business may be adversely affected.

### **The works of the projects in respect of our construction business could be affected by adverse weather conditions**

Since a portion of our construction projects are undertaken outdoors, adverse weather conditions such as rainstorms, tropical cyclones and continuous rain may interrupt or otherwise affect the operation of our construction works. In the event that delay is caused by adverse weather condition, we may have to accelerate our work progress afterwards so as to meet the time for completion as scheduled, and such acceleration works will typically incur additional costs, thereby adversely affecting the profitability of our construction business. If there is delay in completion of the construction projects, we may be subject to the payment of liquidated damages or penalties and such may adversely affect the operating results of our construction business.

### **Our labour in relation to our construction business may launch industrial actions or strikes**

Typical construction works are divided into various trades, each of which requires highly specialised labour. Industrial action of any one trade will therefore disrupt the progress of the constructions works in respect of our construction business. During the Track Record Period, our construction projects have not encountered any strike action. However, there can be no assurance that no industrial actions or strikes will be launched, such as those demanding for higher wages or shorter working hours. Such industrial actions or strikes may adversely impact our profitability and results of operations.

### **Progress payments and retention money in relation to our construction business may not be paid to us on time and in full**

We normally receive progress payments in respect of our construction business from our customers on a monthly basis. The amount of payment is determined with reference to the value of the construction works completed and certified. Also, a portion of progress payment, in the range of 5% to 10% of progress payment, is withheld by our customers as retention money. We recorded no bad debt from such payments practice during the Track Record Period. However, there can be no assurance that progress payment in respect of our construction business will be paid on time and in full, or the retention money or any future retention money will be paid by our customers to us on a timely basis or in full. In the event that our customers fail to make payments in respect of our construction works on time and in full, our future liquidity position may be adversely affected.

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## **RISK FACTORS**

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### **We rely on our sub-contractors to complete our construction projects**

We delegate most of our construction works to sub-contractors. We have in place a number of procedures for selecting and monitoring sub-contractors, including the maintaining of a regularly updated list of approved sub-contractors, and the entering into of agreements to expressly state the rights and obligations of each party. We have maintained good relationships with our sub-contractors throughout the years of our operation. However, there can be no assurance that we will be able to monitor the performance of these sub-contractors as directly and efficiently as with our own staff by the aforesaid procedures.

Further, sub-contractors which are suitable may not be readily available whenever we have the need for outsourcing. Our ability to complete our construction projects on time may be impaired if we are unable to hire qualified sub-contractors. In the event that a sub-contractor fails to provide the services as required under a contract, we will need to obtain the aforesaid services from other sub-contractors, usually at a price higher than originally anticipated, and such may have adverse impact on our profitability. If the performance of a sub-contractor does not meet the standards as expected by us, the quality of the works in respect of our construction business may be adversely affected, thereby harming our reputation and exposing us to litigation or claims for damages.

### **We may not be able to reach agreement with our customer on the rate of the variation works carried out by us**

In the course of performing the construction works, our customers may request us to perform variation works which are not covered under the scope of the contracts with our customers. The terms and charging rate of such variation works are usually determined between us and our customers or their consultants based on the similar works in the original construction contract.

However, there can be no assurance that agreement on the rate at which the variation works are determined can be reached between us and our customers or their consultants. If the rate of the variation works determined and agreed between us and our customers or their consultants is materially lower than our original estimation in assessing the profit or loss of each project after incorporating the effect of any variation works, our results of operations may be adversely affected. In the event that agreement cannot be reached and we are not paid for the variation works, contractual disputes with our customers may arise and extra costs, such as legal fees, may be incurred in respect of the relevant construction project, thereby materially and adversely affecting our profitability, results of operations, liquidity and financial position.

### **We face keen competition in our construction business**

There are a large number of market participants in the construction industry in Hong Kong. We consider that all the construction companies operating in Hong Kong are our competitors in our construction business. Our Directors consider that the competition in the Hong Kong construction industry has been fierce in the past few years. In the event that we fail to continue to maintain our competitiveness in the market, our business, financial condition and results of operations will be adversely affected.

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## **RISK FACTORS**

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**We need to maintain qualifications and licences for the operation of our construction business and any delay in obtaining and renewing, suspension or revocation of these qualifications and licences could significantly hinder our business and affect our future turnover and profits**

We are required to maintain operating qualifications and licences to conduct our construction business. Please refer to the paragraphs headed “Major qualifications and licences” of the section headed “Business” in this prospectus for further details. We must comply with the restrictions and conditions imposed by various Government departments to maintain our qualifications and licences. Please see the “Regulations” section for more information on the requirements applicable to us. If we fail to comply with any of these regulations, our qualifications and licences could be temporarily suspended or even revoked, or the renewal of our qualifications and licences upon expiry of their original terms may be delayed or refused, which would directly impact our capability to undertake relevant works and would reduce our turnover and profits in the future.

**A decline in the Hong Kong property market could materially impact our construction business and results of operations**

Our construction business, results of operations and prospects thereof are driven to a considerable extent by the growth of the real estate market and the relevant Government policies in Hong Kong. Any adverse development and decline in the Hong Kong property market will materially and adversely affect our business, results of operations, financial condition and prospects.

### **RISKS RELATING TO OUR BUSINESS IN GENERAL**

**Our results of operations include changes in fair value of investment properties, which are unrealised, and may fluctuate from time to time**

Our investment properties are stated at their estimated fair value in our combined balance sheets as at each balance sheet date on the basis of valuation by independent property valuer. Gains or losses arising from changes in estimated fair value of our investment properties are accounted for as changes in fair value of investment properties in our combined income statements.

The estimated fair value of our investment properties are based on valuations conducted by an independent professional valuer, using valuation techniques that involves the exercise of professional judgement and requires the adoption of certain bases and assumptions. For each of the three years ended 31 March 2011, 2012 and 2013, the fair value gain of our investment properties was approximately HK\$201.9 million, HK\$43.0 million and HK\$67.4 million, respectively, represented approximately 81.5%, 42.2% and 45.2%, respectively, of our profit for the respective years, which were unrealised capital gains. The estimated fair values of our investment properties will be significantly affected by the prevailing property market conditions and are subject to market fluctuations and there can be no assurance that the estimated fair value of our investment properties will not decrease in the future. In the event of a change in the key assumptions and bases in the valuation of our investment properties (such as any recession of property market which may result in a smaller assumed average rental growth rate whereas an increase in market yield for industrial transactions may result in a higher assumed discount rate and terminal capitalisation rate to be adopted in the discounted cash flow method), the estimated fair value of our investment properties may

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## RISK FACTORS

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decrease. For details, please refer to the paragraph headed “Changes in fair value of investment properties” of the section headed “Financial Information” in this prospectus for the sensitivity analysis illustrating the impact of upward/downward adjustments of the key assumptions adopted in the valuation method on the estimate fair value of our data centre building as at the respective valuation dates and our profit before taxation during the Track Record Period. Any such decrease in the fair value of our investment properties will reduce our profits and could have a material adverse effect on our results of operations.

**Our insurance policies may not provide for sufficient coverage for liabilities arising from claims and litigation, and there is a potential increase in insurance premiums payable by our Group**

As at the Latest Practicable Date, we have taken out insurance policies for our liabilities arising from claims and litigation against our Group. Please refer to the paragraph headed “Insurance” of the section headed “Business” for further details. However, there can be no assurance that our current insurance will adequately protect us against all liabilities arising from claims and litigation against our Group. Further, the insurance premium payable by our Group depends on various factors including the scope and contract sum of the construction project undertaken by us and our insurance claim records with the insurer. There is no assurance that the insurance premium payable by our Group will not increase in the future. If we were held liable for uninsured losses, or the amounts of claims for insured losses exceeding the limits of our insurance coverage, or the insurance premium payable by our Group increases significantly, our business and results of operations may be materially and adversely affected.

**We had incurred an indebtedness of approximately HK\$877.4 million as at 30 June 2013, which may result in significant interest expenses and risks relating to the conditions and restrictive covenants imposed on us by our bank loan agreements**

We had recorded an indebtedness of approximately HK\$877.4 million as at 30 June 2013. Our ability to meet regular scheduled interest and principal payments and to comply with the restrictive covenants imposed on us under our bank loan agreements on our bank borrowings will depend on our future cash flow, which in turn will depend on the prevailing economy and our future operating performance and other factors, many of which are beyond our control. Such indebtedness may result in significant interest expenses, which may materially and adversely affect our results of operations and financial results. There may also be restrictive covenants imposed on us under our bank loan agreements, and in the event that we fail to comply with the conditions and restrictive covenants imposed on us under our bank loan agreements, the bank may demand immediate repayment of the relevant bank loans, which may in turn affect our liquidity position.

**Our historical financial information may not necessarily reflect our performance in the future**

For the years ended 31 March 2011, 2012 and 2013, revenue from our construction business amounted to approximately HK\$349.8 million, HK\$926.8 million and HK\$640.1 million, respectively, contributing gross profit in relation to our construction business of approximately HK\$10.9 million, HK\$20.1 million and HK\$41.2 million, respectively. On the other hand, for the years ended 31 March 2011, 2012 and 2013, revenue from our data centre premises leasing business amounted to approximately HK\$108.2 million, HK\$131.2 million and HK\$133.6 million, respectively, contributing

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## **RISK FACTORS**

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gross profit in relation to our data centre premises leasing business of approximately HK\$82.3 million, HK\$96.7 million and HK\$98.8 million, respectively. However, such historical financial information is merely an analysis of our past performance. It does not reflect the performance of our business in the future, nor does it have any positive implications. Instead of our historical financial information, the future performance of our business depends on our capabilities to secure new business opportunities and keeping our costs at a minimum, and other factors which may be beyond our control.

### **Our business is affected by fluctuations in interest rates**

We have been financing our operations through a combination of our internal generated funds, funds from the Shareholders and bank loan facilities. As at 31 March 2011, 2012 and 2013, we had bank loans of approximately HK\$837.1 million, HK\$698.0 million and HK\$828.1 million, respectively. Our bank loans bore interest at rates ranging from 2.05% to 6.00%, 2.11% to 6.00% and 2.25% to 6.00% per annum for the years ended 31 March 2011, 2012 and 2013, respectively and are largely linked to benchmark lending rates, such as HIBOR or prime rate.

Bank loan facilities will continue to be one of our principal sources of funds for our business operations upon Listing. Any increase in benchmark leading rates will lead to an increase in our funding costs and may adversely affect our financial performance.

### **Our business is affected by changes in applicable rules and regulations**

Our operations and financial results could be adversely affected by changes in Government policies, relevant laws and regulations. As a wholesale co-location provider as well as a building construction contractor, we have to comply with certain applicable laws and regulations. For instance, in respect of our construction business, we are required to comply with the applicable safety and environmental protection laws, regulations and requirements. We may be subject to fines or other penalties or may be required to take remedial steps in the event that we fail to meet any applicable safety and environmental protection laws, regulations or requirements, which may adversely affect our operations and financial conditions. Please refer to the section headed “Regulations” in this prospectus for further details.

Regulatory authorities may from time to time amend existing or adopt new laws and regulations applicable to wholesale co-location providers and building construction contractors in Hong Kong. In this connection, there can be no assurance that we are able to comply with the changes or new requirements on a timely basis. We may incur additional costs in complying with the new laws, regulations and requirements, which may in turn adversely affect our profitability.

### **We recorded net current liabilities as at 31 March 2011 and 2012**

As at 31 March 2011 and 2012, our net current liabilities were approximately HK\$651.9 million and HK\$595.7 million, respectively, mainly attributable to our long-term bank loans which were repayable on demand, and were therefore classified as current liabilities for accounting purposes. Please refer to the paragraph headed “Net current (liabilities)/assets” of the section headed “Financial Information” in this prospectus for further details.

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## **RISK FACTORS**

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There can be no assurance that we will not experience periods of net current liabilities in the future. A net current liabilities position would expose us to liquidity risks if we were unable to refinance certain loans or repay the relevant amounts as and when they fall due. If we were unable to refinance such borrowings when due, and we were not otherwise able to repay such amounts at maturity, we may be in default of such loans, which may result in cross-defaults of other loans. In such circumstances, our business operations, liquidity, financial condition and prospects could be materially and adversely affected.

### **We are involved in disputes or litigation**

We are subject to the risk of facing claims or litigations initiated by our customers, sub-contractors, employees and other working parties. Further, in the course of carrying out our construction projects, our customer may request us to perform additional works and where we cannot reach an agreement with our customers or their architects in respect of, for example, the fees, costs and the scope of such works, contractual disputes with our customers may arise, thereby adversely affecting our results of operations and financial position.

During the Track Record Period, we encountered several incidents of claims and litigation against our Group arising out of our operations in relation to our construction business. Such claims and litigation include personal injuries and employees' compensation in relation to construction works on our construction sites. Please refer to the paragraph headed "Legal proceedings and compliance" of the section headed "Business" in this prospectus for further information. If any claims against us fall outside the scope and/or limit of our insurance coverage, our financial position may be adversely affected.

### **There are political and economic risks associated with doing business in Hong Kong**

All of our investment properties, facilities and operations are currently located in Hong Kong. Hong Kong is a special administrative region of the PRC with its own government and legislature. Under the Basic Law, Hong Kong is entitled to a high degree of autonomy from the PRC under the principle of "one country, two systems". However, there can be no assurance that Hong Kong will continue to enjoy its current level of autonomy from the PRC and/or the current legal system of Hong Kong will be maintained. Our business, results of operations and financial condition may be adversely and materially affected in the event that Hong Kong no longer enjoys its current level of autonomy from the PRC which we may subject to unforeseen political and economic risks, and/or there is a substantial change to the current legal system of Hong Kong.

The US dollar : Hong Kong dollar exchange rate has remained stable since 1983 due to the US dollar peg and currency board system that has been in effect in Hong Kong. There can be no assurance that the currency peg of the Hong Kong dollar to the US dollar will be maintained. Recurrence of recession in Hong Kong, deflation or the discontinuation of the currency peg may materially and adversely affect our business, financial condition and results of operations.

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## **RISK FACTORS**

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### **A change in currency exchange rates could increase costs relative to our revenue**

Historically, all our revenue, expenses and liabilities have substantially been denominated in HK dollars. However, we may in the future conduct business in additional jurisdictions which could generate revenue, expenses and liabilities in other currencies. We will be subject to the effects of exchange rate fluctuations with respect to any of these currencies. As a result, future exchange rate fluctuations may have a material adverse effect on our business, financial condition and operations.

### **We depend on the key management and our ability to attract and retain additional technical and management staff**

We depend on the efforts and skills of our key management. For the description of our Directors and senior management, please see the section headed “Directors and Senior Management” for further details. As a result, our future success depends to a significant extent on the continuing service and coordination of these individuals, who are not obligated to remain employed by us. The loss of any Director or member of senior management team could have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner.

Our success also depends on our ability to attract, identify, hire, train and retain additional technical and management staff with the requisite industry expertise. Competition for such personnel is intense, and any failure to recruit and retain the necessary personnel or the loss of a significant number of staff at any time could harm our business and prospects.

## **RISKS RELATING TO THE SHARES AND THE SHARE OFFER**

### **Potential conflict of interests between the Controlling Shareholders and other minority Shareholders**

Immediately following the Share Offer, the Controlling Shareholders will beneficially hold an aggregate of approximately 67.5% of the Shares (without taking into account the Shares, if any, to be allotted and issued pursuant to the Over-allotment Option and the exercise of any options that may be granted pursuant to the Share Option Scheme). The interests of the Controlling Shareholders may differ from the interests of the other Shareholders. There is no assurance that the Controlling Shareholders will act in our best interests and that of the minority Shareholders. In the event of any conflict of interests between the Controlling Shareholders and the minority Shareholders, the Controlling Shareholders will have the power to prevent us from proceeding with any proposed transactions at the general meeting which could be beneficial to us and other Shareholders, regardless of the underlying reasons.

### **There is no prior market for the Shares and the liquidity and market price of the Shares may be volatile**

Prior to the Share Offer, there has been no public market for the Shares. The Offer Price will be determined by the Sole Lead Manager and us on Price Determination Date. The Offer Price may not be indicative of the price at which the Shares will trade following the completion of the Share Offer



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## **RISK FACTORS**

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and the Capitalisation Issue. There is no assurance that there will be active trading market for the Shares, or if it exists, that it can be sustained following the completion of the Share Offer and the Capitalisation Issue, or that market prices of the Shares will not fall below the Offer Price. The price and trading volume of the Shares may be highly volatile subject to factors such as:

- investors' perceptions of us and our future business plans, results of operations and prospects;
- change in our senior management;
- unanticipated business interruptions caused by outbreaks of diseases, natural disasters or accidents;
- potential litigation or regulatory investigations, if any;
- variations of our results of operations and financial position;
- changes in the policies and developments related to the industry in which we operate; and
- economics and other general factors.

### **Issuance of new Shares or equity linked securities may cause dilution in shareholding**

We may require additional funds due to changes in business conditions or other future developments relating to our existing operations, acquisitions or strategic partnerships. If additional funds are raised by way of issuance of new Shares or equity linked securities other than on a pro rata basis to existing Shareholders, the percentage of ownership of the existing Shareholders, the earnings per Share and the net asset value per Share would diminish.

### **Future sale of the Shares or major divestment of Shares by any major Shareholder could adversely affect the Share prices**

The sale of a significant number of the Shares in the public market after the Share Offer, or the perception that these sales may occur, could adversely affect the market price of the Shares. Except as provided under the Listing Rules or otherwise described in the section headed "Underwriting" in this prospectus, there are no restrictions imposed on Controlling Shareholders and corporate investors to dispose of their shareholdings. Any major disposal of Shares by any of our major Shareholders may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price our Directors deem appropriate, thereby limiting our ability to raise capital.

### **Historical dividends are not indicative of future dividends**

We declared and paid dividends of HK\$1.0 million, HK\$16.5 million and HK\$20.0 million to the former holding company, Grand Ming Holdings, during the years ended 31 March 2011, 2012 and 2013, respectively. Such historical dividends should not be used by the potential investors as a guide to our future dividend policy. There is no assurance that dividends will be declared or paid in the future, at a similar level or at all. The past dividend rates should not be used as a reference or

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## RISK FACTORS

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basis to determine the amount of dividends in the future. The amount of any dividends to be declared in the future will be subject to, among other factors, the discretion of our Directors, having considered the working capital requirements in the future, the availability of distributable profits, our results of operations, working capital, capital and funding requirements, tax requirements, the applicable laws and other relevant factors.

**Statistics and facts under the section headed “Industry Overview” in this prospectus may not be accurate**

This prospectus contains information and statistic figures relating to the economy and industry derived from various sources including official government publications that we believe to be reliable and appropriate for such information and we have exercised reasonable care in extracting and reproducing such information and statistics. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information and statistics have not been independently verified by us or any of our affiliates or advisers, nor by the Sole Sponsor, Underwriters or any of their respective directors, affiliates or advisers or any party involved in the Share Offer. Due to possibly flawed or ineffective research methods or discrepancies between the published research result and actual market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. We cannot guarantee that such information and statistics are stated or compiled with complete accuracy. We, our affiliates or advisers, the Sole Sponsor, Underwriters or their respective directors, affiliates or advisers or any party involved in the Share Offer do not make any representation as to the accuracy, completeness of fairness of such information. Potential investors should not place undue reliance on any of such information and statistics contained in this prospectus.

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

Prior to the publication of this prospectus, there might have been press articles and media coverage regarding us and the Share Offer which might include certain financial information, financial projections, and other information about us which do not appear in this prospectus. Such information might not be sourced from or authorised by us, hence, we do not accept any responsibility for the accuracy or completeness of such information. We cannot guarantee and make no representation as to the appropriateness, accuracy, completeness or reliability of such information. Potential investors are therefore cautioned to make their investment decisions based solely on the information contained in this prospectus.

**Investors may experience difficulties in enforcing their shareholder rights because our Company is incorporated in the Cayman Islands, and the protection to minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions**

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands law on protection of minority shareholders is set out in paragraph 3(f) in Appendix IV to this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

### **UNDERWRITING**

This prospectus is published solely in connection with the Share Offer. The Listing is sponsored by the Sole Sponsor. The Share Offer is fully underwritten by the Underwriters under the terms of the Underwriting Agreements, subject to the agreement on the Offer Price between the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date. The Share Offer is managed by the Sole Lead Manager. Further details of the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

### **SELLING RESTRICTIONS**

Each person acquiring Offer Shares will be required to confirm, or by his acquisition of Offer Shares be deemed to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose 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 and sales 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 jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **INFORMATION ON THE SHARE OFFER**

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Lead Manager, the Sole Sponsor, the Underwriters, any of our or their respective directors, agents, employees or advisers or any other party involved in the Share Offer.

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

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to (i) the Share Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and (ii) the exercise of any options that may be granted under our Share Option Scheme.

No part of the equity or debt securities of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company’s 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 any other date as determined by HKSCC. 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. All necessary arrangements have been made for our Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Share Offer are recommended to consult their professional advisors if they are in any doubt as to the tax implications of subscription for, purchasing, holding, disposing of and dealing in our Shares. It is emphasised that none of our Group, the Sole Lead Manager, the Sole Sponsor, the Underwriters, any of our or their respective directors, agents or advisors or any other person involved in the Share Offer accepts responsibility for the tax effects on or liabilities resulting from your subscription for, purchase, holding, disposal of, or, dealing in our Shares.

### **HONG KONG SHARE REGISTER AND STAMP DUTY**

Our Company's principal register of members will be maintained by our Company's share registrar in the Cayman Islands.

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

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the shareholders listed on the Hong Kong branch register of our Company, by ordinary post, at the shareholders' risk, to the registered address of each shareholder of the Company.

### **OVER-ALLOTMENT AND STABILISATION**

In connection with the Share Offer, CISL, as the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing on the Listing Date. However, there is no obligation on CISL or any person acting for it to do this. Such stabilising action, if taken, may be discontinued at any time, and is required to be brought to an end after a limited period.

We are expected to grant to the Placing Underwriters the Over-allotment Option, which will be exercisable by the Sole Lead Manager (for itself and on behalf of the Placing Underwriters) at any time from the Listing Date up to 30 days after the last day for lodging applications under the Public Offer. Pursuant to the Over-allotment Option, we may be required by the Sole Lead Manager (for itself and on behalf of the Placing Underwriters) to allot and issue up to 15,000,000 additional new Shares, representing 15% of the total number of Offer Shares initially available under the Share Offer, at the Offer Price, in connection with over-allocation in the Placing, if any, subject to the same terms and conditions as the other Offer Shares.

Further details with respect to stabilisation and the Over-allotment Option are set out in the paragraph headed "Over-allotment and stabilisation" of the section headed "Structure and Conditions of the Share Offer" in this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES**

The application procedures for the Public Offer Shares are set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus and on the relevant Application Forms.

### **STRUCTURE OF THE SHARE OFFER**

Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

### **ROUNDING**

Any discrepancies in any table between totals and sums of amounts listed herein are due to rounding.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence on or about Friday, 9 August 2013. Shares will be traded in board lots of 4,000 Shares each.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Chan Hung Ming	6/F, Rosedale 6 Fuk Kwan Avenue Tai Hang Hong Kong	Chinese
Lau Chi Wah	Room 03, 12/F, Block B Peninsula Heights No.63 Broadcast Drive Kowloon Tong Kowloon Hong Kong	Chinese
Yuen Ying Wai	Flat E, 25/F, Block T37 Maple Mansion 18 Taikoo Wan Road Quarry Bay Hong Kong	Chinese
Kwan Wing Wo	Flat C, 1/F, Tower 13 Phase 3, Ocean Shores 88 O King Road Tseung Kwan O New Territories	Chinese
<i>Independent non-executive Directors</i>		
Tsui Ka Wah	Flat F, 16/F, Broadview Terrace 40 Cloud View Road North Point Hong Kong	Chinese
Kan Yau Wo	G/F, River View Block C, House 168 Sheung Wun Yiu Tsuen Tai Po, New Territories	Chinese
Mok Kwai Pui Bill	Flat C, 3/F, Braemar Hill Mansions (Block 8) 29 Braemar Hill Road Hong Kong	Chinese
Lee Chung Yiu Johnny	Flat D, 7/F Medallion Heights (Flat C-D) 45 Conduit Road Mid-Levels Hong Kong	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED IN THE SHARE OFFER

<b>Sole Sponsor</b>	Cinda International Capital Limited 45th Floor COSCO Tower 183 Queen's Road Central Hong Kong
<b>Sole Bookrunner and Sole Lead Manager</b>	Cinda International Securities Limited 45th Floor COSCO Tower 183 Queen's Road Central Hong Kong
<b>Legal Advisers to the Company</b>	<i>As to Hong Kong law</i> Li & Partners 22nd Floor, World-wide House 19 Des Voeux Road Central Hong Kong  <i>As to Cayman Islands law</i> Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Legal Advisers to the Sole Sponsor and the Underwriters</b>	<i>As to Hong Kong law</i> Deacons 5th Floor Alexandra House 18 Chater Road Central Hong Kong
<b>Auditors and Reporting accountants</b>	KPMG <i>Certified Public Accountants</i> 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
<b>Property Valuer</b>	Colliers International (Hong Kong) Limited Suite 5701 Central Plaza 18 Harbour Road Wanchai Hong Kong
<b>Receiving Bank</b>	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong



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## CORPORATE INFORMATION

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<b>Registered Office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Headquarter and principal place of business in Hong Kong</b>	19/F., Eastern Commercial Centre No. 395-399 Hennessy Road Hong Kong
<b>Compliance adviser</b>	Cinda International Capital Limited
<b>Company secretary</b>	Mr. Leung Wai Chuen, <i>HKICPA, FCCA, ACS, ACIS</i>
<b>Authorised representatives</b>	Mr. Chan Hung Ming ( <i>Chairman</i> ) 6/F, Rosedale 6 Fuk Kwan Avenue Tai Hang Hong Kong  Mr. Lau Chi Wah Room 03, 12/F, Block B Peninsula Heights No.63 Broadcast Drive Kowloon Tong Kowloon Hong Kong
<b>Audit committee</b>	Mr. Mok Kwai Pui Bill ( <i>Chairman</i> ) Mr. Tsui Ka Wah Mr. Kan Yau Wo Mr. Lee Chung Yiu Johnny
<b>Remuneration committee</b>	Mr. Tsui Ka Wah ( <i>Chairman</i> ) Mr. Mok Kwai Pui Bill Mr. Kan Yau Wo Mr. Lee Chung Yiu Johnny
<b>Nomination committee</b>	Mr. Kan Yau Wo ( <i>Chairman</i> ) Mr. Mok Kwai Pui Bill Mr. Tsui Ka Wah Mr. Lee Chung Yiu Johnny
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

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## CORPORATE INFORMATION

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<b>Cayman Islands share registrar and transfer office</b>	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Principal bankers</b>	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong  The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
<b>Company website address</b>	<a href="http://www.grandming.com.hk">www.grandming.com.hk</a> *

\* The contents of the website do not form part of this prospectus.

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## REGULATIONS

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

### **A. LABOUR, HEALTH AND SAFETY**

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

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, every proprietor shall as far as reasonably practicable take care of the safety and health at work of all persons employed by it at the industrial undertaking by:

- providing and maintaining plant and work systems that are safe and without risks to health;
- making arrangements 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 work environment that is safe and without risks to health.

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

Section 6BA(5) of the Factories and Industrial Undertakings Ordinance also provides that on and after the appointment day (as defined in the Factories and Industrial Undertakings Ordinance) every proprietor shall not employ at the undertaking a relevant person who has not been issued a certificate issued to the person in respect of his attendance at the relevant safety training course which relates to that undertaking or whose relevant certificate has expired. A proprietor who contravenes this section commits an offence and is liable to a fine of HK\$50,000.

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

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 are safe and without risks to health;

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## REGULATIONS

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- making arrangement for ensuring safety and absence of risks to 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 work environment that is safe and without risks to health.

Failure to comply with the above provisions 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 6 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 notices 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 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 40 of the Employees' Compensation Ordinance, all employers (including contractors and sub-contractors) are required to take out insurance policies to cover their liabilities for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal 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 his liability and that of his sub-contractor(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 is liable on conviction to a fine at level 6 (currently at HK\$100,000) and imprisonment for 2 years.

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## REGULATIONS

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Pursuant to Section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to sub-contractors' employees who are injured in the course of their employment to the sub-contractor. The principal contractor is, nonetheless, entitled to be indemnified by the sub-contractor who would have been liable to pay compensation to the injured employee. The employees in question are required to serve a notice in writing within 7 days on the principal contractor before making any claim or application against such principal contractor.

According to Section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident by submitting Form 2 (within 14 days for general work accidents and within 7 days for fatal accidents), irrespective of whether the accident gives rise to any liability to pay compensation. If the happening of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of 7 and 14 days respectively then such notice shall be given not later than 7 days or, as may be appropriate, 14 days after the happening of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

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

A principal 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 sub-contractor 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 principal contractor and/or every superior sub-contractor jointly and severally. A principal contractor's liability shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the principal 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 2 months (such months shall be the first 2 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 principal contractor within 60 days after the wage due date. A principal 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 principal contractor.

Upon receipt of such notice from the relevant employee, a principal 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 principal 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 principal contractor or superior sub-contractor pays to an employee any wages under Section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior sub-contractor, as the case may be. The principal contractor or superior sub-contractor may

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## REGULATIONS

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either (1) claim contribution from every superior sub-contractor to the employee's employer or from the principal 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.

### **Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong)**

The Construction Workers Registration Ordinance (“**CWRO**”) was enacted on 2 July 2004 to provide, among others, for registration and regulation of construction workers. The principal object of the CWRO is to establish a system for registration of construction workers and to regulate construction workers who personally carry out construction work on construction site.

#### *A. Employment of Registered Construction Workers*

Under the CWRO, the principal contractors/sub-contractors/employers/controllers of construction sites are required to employ only registered construction workers to personally carry out construction work on construction sites (Sections 3(1) & 5 of the CWRO).

#### *B. Keeping and Submission of Site Daily Attendance Report*

Under the CWRO, a principal contractor/controller of a construction site is required to:

1. establish and maintain a site daily attendance report in the specified form that contains information on registered construction workers employed by him or, if he is the principal contractor, his sub-contractor (Section 58(7)(a) of the CWRO); and
2. furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of the report
  - i. for the period of 7 days after any construction work begins on the site; and
  - ii. for each successive period of 7 days, within 2 business days following the last day of the period concerned (Section 58(7)(b) of the CWRO).

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## REGULATIONS

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### C. Offences and Fines

Offence	Relevant Sections of the CWRO	Fines (HK\$)	Person responsible
Employing a person who is not a registered construction worker to personally carry out construction work on a construction site	3(1), 5 & 6	25,001 - 50,000	Any person
Having a person employed by his subcontractor in contravention of Section 3(1), (2), (3) or (4) <sup>(Note)</sup> of the CWRO	6(4)(a)	25,001 - 50,000	Principal contractor
Failing to establish and maintain a daily record that contains information on the registered construction workers employed by the controller/ sub-contractor of the controller of a construction site	58(7)(a) & (8)	5,001 - 10,000	Controller
Failing to furnish the Registrar of Construction Workers with a copy of the daily record for the period of 7 days after the construction work begins on the site	58(7)(b)(i) & (8)	5,001 - 10,000	Controller
Failing to furnish the Registrar of Construction Workers with a copy of the daily record for a successive period of 7 days at the expiration of 7 days after the construction work has begun on the site	58(7)(b)(ii) & (8)	5,001 - 10,000	Controller

### Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)

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.

*Note:* Sections 3(2), 3(3) and 3(4) of the CWRO are not yet in operation.

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## REGULATIONS

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

Pursuant to Section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor 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 provides for a prescribed minimum hourly wage rate (currently set at HK\$30 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance.

This Minimum Wage Ordinance does not stipulate whether meal breaks and rest days should be paid or not. Such terms are subject to negotiations between employer and employee.

Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by this Minimum Wage Ordinance is void.

## **B. ENVIRONMENTAL PROTECTION**

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

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.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation, the Air Pollution Control (Construction Dust) Regulation and the Air Pollution Control (Smoke) Regulation. 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.



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## REGULATIONS

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

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

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas 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 when its use is allowed. 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. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of a construction noise permit from the Noise Control Authority. Any person who is in contravention of the aforesaid provisions, according to the Noise Control Ordinance, shall be 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 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.

All discharges, other than domestic sewage to a communal sewer or unpolluted water to a communal drain, must be covered by an effluent discharge licence. The licence specifies the permitted physical, chemical and microbial quality of the effluent and 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 or discharges any matter into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for 6 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.

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## REGULATIONS

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

The Waste Disposal Ordinance controls the production, storage, collection, treatment, recycling and disposal 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, particularly the Waste Disposal (Charges for Disposal of Construction Waste) Regulation and the Waste Disposal (Chemical Waste) (General) Regulation.

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, a main contractor who undertakes construction work with a value of HK\$1,000,000 or above will be required to establish a billing account with the Director of Environmental Protection to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

Under the Waste Disposal (Chemical Waste) (General) Regulation, anyone who produces chemical waste or causes it to be produced has to register as a chemical waste producer. The waste 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 staff of 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 Environmental Protection. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months for the first offence, HK\$500,000 and to imprisonment for 2 years for a second or subsequent offence.

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

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

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 6 months on a first conviction; and HK\$500,000 and to imprisonment for 2 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.

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## REGULATIONS

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### **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 prior to their construction and operation (and decommissioning, if applicable), unless exempted.

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, residential and other developments, etc.) 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 (currently at HK\$100,000) 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.

### **Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong)**

Emission of dust from any building under construction or demolition in such manner as to be a nuisance is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$10,000 (level 3) upon conviction with a daily fine of HK\$200.

Discharge of muddy water etc. from a construction site is actionable under the Public Health and Municipal Services Ordinance. Maximum fine is HK\$5,000 upon conviction.

Any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$25,000 (level 4) upon conviction and a daily fine of HK\$450.

Any accumulation of refuse which is a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$10,000 (level 3) upon conviction and a daily fine of HK\$200.

Any premises in such a state as to be a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$10,000 (level 3) upon conviction and a daily fine of HK\$200.

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## REGULATIONS

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### C. CONTRACTOR LICENSING REGIME

#### General Building Contractor

Under the current contractor registration system in Hong Kong, a contractor must register with the Buildings Department either as general building contractor or as specialist contractor. Registered general building contractors may carry out general building works and street works which do not include any specialised works (including, demolition works, foundation works, ground investigation field works, site formation works and ventilation works) designated for registered specialist contractors.

Under Section 8B(2) of the Buildings Ordinance, an applicant for registration as general building contractor or as specialist contractor must satisfy the Buildings Department on the following aspects:

- (a) if it is a corporation, the adequacy of its management structure;
- (b) the appropriate experience and qualifications of its personnel;
- (c) its ability to have access to plant and resources; and
- (d) the ability of the person appointed to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

Under section 8C(2)(c) of the Buildings Ordinance, a registered contractor should apply to the Buildings Department for renewal of registration not earlier than 4 months and not later than 28 days prior to the date of expiry of the registration. Application for renewal of registration received by the Buildings Department outside the specified time limit under section 8C(2)(c) will not be accepted. The application should comprise:

- (a) a duly completed specified form;
- (b) declarations in Buildings Department standard forms covering exhaustively the conviction/disciplinary/suspension records of the applicant and its key personnel i.e. the authorized signatory(ies), the technical director(s) and the other officer(s) TD 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 (Administration) Regulation.

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In general, an application for renewal of registration would not be referred to the Contractors Registration Committees, an independent bodies appointed by the Buildings Department under Section 8 of the Buildings Ordinance for interview and assessment, except in the following circumstances:

- (a) the contractor has been inactive in relevant building works in the past registration period (i.e. without a job reference on a minimum of one relevant building project); or
- (b) there have been new incidents or circumstances that require further consideration on the suitability of the contractor's registration. New incidents or circumstances include, but not limited to, the contractor's records in respect of the aspects stipulated in paragraph (b) above and subject to the following approach adopted by the Buildings Department in relation to labour safety, public health and environmental offences and records of suspension from tendering by the Environment, Transport and Works Bureau, the Housing Authority or their related departments in determining if a contractor is required to attend an interview:
  - (i) non-building works related labour safety offences, e.g. failure to ensure the wearing of safety helmet and the use of goggles, will not be taken into consideration. Generally speaking, an offence relating to the course of constructing the works or the manner in which the works are being carried out is considered as an offence relating to building works;
  - (ii) a contractor who has been convicted of a serious labour safety offence (e.g. involving a fatal incident or amputation of limb) is required to attend an interview;
  - (iii) a contractor who has been convicted of 7 or more labour safety offences committed within a rolling 6 months is required to attend an interview;
  - (iv) a contractor who has been convicted of 4 or more offences under section 27(3) of the Public Health and Municipal Services Ordinance committed on the same site within a rolling 3 months is required to attend an interview;
  - (v) a contractor who has been convicted of any environmental offence involving an imprisonment sentence will be required to attend an interview; and
  - (vi) for a contractor who has been suspended from tendering by the Environment, Transport and Works Bureau, the Housing Authority or their related departments, the Buildings Department will consider the reasons of the suspension. In general, only factors which infer deficiencies of the contractors in technical competence and management ability, and factors related to standard of works, misconduct and site safety will be taken into consideration.

### **Contractor List maintained by the WBDB**

In order to tender for Hong Kong Government contracts, a contractor must be accepted on the Contractor List maintained by the WBDB. Although approvals granted by the WBDB are not required

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to be renewed annually, audited accounts of the approved contractors are submitted to the WBDB annually (in addition, a Group C contractor is also required to submit half-yearly management accounts) and may be produced to relevant Hong Kong Government works departments prior to the contract award in order to review the financial position of the approved contractors to ensure that they meet the capital requirements as set out by the WBDB. If any approved contractor fails to meet the capital requirements in a particular category, it will not be eligible for any contract in that category. In the event the approved contractor fails to submit the accounts or fails to cover any shortfall in the required capital requirements within the prescribed period, regulatory actions such as suspension of tendering rights may be taken by the WBDB against such approved contractor.

The Contractor List is divided into five categories, namely, roads and drainage, port works, waterworks, buildings and site formation. There are three groups in each of the works categories (arranged in ascending order), namely Group A (except that there are no Group A in port works and site formation categories), Group B and Group C, with the highest rank being Group C. Each group has its particular tendering limits. Other than in the most exceptional circumstances, a contractor will be admitted initially on probation in the appropriate works category and group. According to the Contractor Management Handbook (Revision B) July 2005 (承建商管理手冊 - 修訂版B) issued by Environment, Transport and Works Bureau of the Hong Kong Government (環境運輸及工務局), the minimum probationary period is 24 months. After the probationary period, approved contractors may apply to the WBDB for confirmed status provided they have met the following requirements:

- (i) the technical and management criteria for “confirmed” status of each category of works; and
- (ii) the capital requirements applicable to confirmed status for each category of works.

A contractor may apply for “confirmed” status after the satisfactory completion of works appropriate to its probationary status. For instance, it requires satisfactory completion of a certain number of government building contracts within the past few years. It also requires the contracts to be of value over certain amounts, covering the whole range of building trades, or of considerable scope and complexity. Confirmation will also be subject to the contractor being able to meet the financial criteria applicable to confirmed status, having the appropriate technical and management capabilities and in all other ways being considered suitable for confirmation. The requirement on the number of government building contracts, the value of the contracts, financial criteria and other criteria varies depending on different group category of contractor being applied for. “Confirmed” contractors may apply to be elevated to a higher group which is subject to similar but more stringent criteria/requirements than that described above.

It is a requirement of the WBDB that all Group C contractors in Hong Kong must obtain ISO 9000 certification as one of the qualifications for tendering for Government contracts.

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The following table sets out the value of works for which contractors in the respective categories and statuses may tender:

<b>Category</b>	<b>Authorised contract value</b>
Group A (probation)	any number of Group A contracts provided that the total value of works in any one category does not exceed HK\$30 million
Group A (confirmed)	contracts of value up to HK\$30 million
Group B (probation)	any number of Group A and any number of Group B contracts provided that the total value of Group B works in any one category does not exceed HK\$75 million
Group B (confirmed)	contracts of value up to HK\$75 million
Group C (probation)	a maximum of two contracts exceeding HK\$75 million in any one category provided that the total value of Group C works in any one category does not exceed HK\$220 million
Group C (confirmed)	contracts of any value exceeding HK\$75 million

### **Specialist List maintained by the WBDB**

The Specialist List shall comprise suppliers and contractors who are approved for carrying out public works in one or more of the 49 categories. Some contractors within a category are further divided into classes according to the type of works within that particular category and groups according to the value of contracts for which they are normally eligible to tender. Tender limits are applicable to 8 categories of works in the Specialist List.

Contractors qualified/licensed with the WBDB are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management and safety are maintained by contractors carrying out Government works.

### **Approved contractors of the Housing Authority**

The Housing Authority prescribes its own requirements for approved contractors to tender for its works. In order to tender for Housing Authority construction projects, a contractor must be approved by the Housing Authority under the categories of either Building (New works) or Building (Maintenance works). Contractors must hold ISO 9001 certificates with respect to its own categories and are subject to stringent financial criteria, proven relevant record, management and on-site personnel requirements, probation and annual assessment on financial position. Annual renewal of the status as an approved contractor by the Housing Authority is subject to satisfactory compliance with the requirements stated in the “Guide to Registration of Works Contractors and Property Management Services Providers” published by the Housing Authority and the payment of an application fee for annual renewal.

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The following table sets out the value of works for which approved contractors listed in the respective categories in the Housing Authority may tender:

<b>Category</b>	<b>Authorised contract value/type</b>
Building Work — New Works Category — Group NW1 (confirmed)	Eligible to tender for new works contracts with a value up to HK\$270 million
Building Work — New Works Category — Group NW1 (probation)	Restricted to undertake not more than one Group NW1 contract at any one time
Building Work — New Works Category — Group NW2 (confirmed)	Eligible to tender for new works contracts of unlimited value
Building Work — New Works Category — Group NW2 (probation)	Restricted to undertake not more than one Group NW2 contract at any one time
Building Work — Maintenance Works Category — Group M1 (confirmed)	Eligible to tender for maintenance and improvement contracts with a value of HK\$20 million and for term maintenance and improvement contracts with an average annual expenditure of up to HK\$20 million
Building Work — Maintenance Works Category — Group M1 (probation)	Restricted to undertake not more than three Group M1 direct contracts at any one time provided that the total value of outstanding works being undertaken does not exceed HK\$20 million or for term contracts the total value of annual expenditure does not exceed HK\$20 million
Building Work — Maintenance Works Category — Group M2 (confirmed)	Eligible to tender for maintenance and improvement contracts of unlimited value
Building Work — Maintenance Works Category — Group M2 (probation)	Restricted to undertake not more than three Group M2 direct contracts at any one time

The Quality Maintenance Contractors (QMC) scheme was introduced by the Housing Authority for their district maintenance term contracts. The QMC scheme aims to induce contractors to commit to quality reform and cultural changes, upgrade their professional and technical competency, improve works quality, strengthen customer services, and invest in new technologies in the delivery of the maintenance service. In order to provide incentives for contractors to attain the QMC status, four contracts were chosen for exclusively tendering by contractors on the QMC list in 2001. In 2002, as endorsed by the Building Committee vide Paper No. BC 57/2002, more tendering opportunities are given to the QMC.



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To be qualified, contractors must be Group M1 or M2 contractor who could demonstrate to the Housing Authority their commitment to quality reform through submission of a “Quality Reform Action Plan” and their implementation of such plan in a “Maintenance & Improvement (M&I)” project.

Subject to being able to meet other requirements such as capital requirements, probationary contractors may apply for confirmed status in a category on satisfactory completion of one contract at its respective group awarded after inclusion in that particular group, or after commencement of a contract and at the expiry of the relevant probationary periods set out below. Such contract has to be awarded after the contractor was included in that group and be a contract of the group.

<b>Category</b>	<b>Group</b>	<b>Probationary period</b>
New Works Category	Group NW1	24 months
	Group NW2	24 months
Maintenance Works Category	Group M1	six months
	Group M2	12 months

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### Requirements for retention as an approved contractor

In order to retain the current qualification held by Grand Tech Construction, Grand Tech Construction has to ensure the minimum financial criteria and other requirements as below:

Group/Status	Minimum employed capital	Minimum working capital	Minimum technical and management criteria/other requirements
Group B ( <i>Note 1</i> ) (probationary) — Approved Contractors for Public Works — Buildings category	HK\$4.2 million ( <i>Note 2</i> )	HK\$4.2 million or 10% on annualised outstanding works ( <i>Note 3</i> ), whichever is higher	Direct Entry ( <i>Note 4</i> )  (1) Registration with the Building Authority's Register of Contractors.  (2) Satisfactory completion of at least two contracts within the past 5 years as the main contractor. Each contract shall be representative in size and complexity of Architectural Services Department projects, and value over 50% of the Group B limit ( <i>Note 5</i> ).  (3) Top management ( <i>Note 6</i> ): At least one member of the resident top management shall have a minimum of three years local experience in managing a construction firm obtained in the past five years.  (4) Technical staff ( <i>Notes 7, 8</i> ): At least one person with the following qualifications:  (i) Higher Certificate in Building Studies/Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognized training institution or equivalent and two years local working experience in building works; or  (ii) Ordinary Certificate in Building Studies/Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognized training institution or equivalent and three years local working experience in building works.

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Group/Status	Minimum employed capital	Minimum working capital	Minimum technical and management criteria/other requirements
Group NW1 (probationary) — Housing Authority List of Building Contractors — Building (New Works) category	HK\$4.2 million (If total value of outstanding works reach HK\$126 million or above, then the following criteria will apply: HK\$12.6 million + HK\$2 million for every HK\$100 million of outstanding works or part thereof above HK\$800 million)	HK\$4.2 million or 10% of outstanding works, whichever is higher (If total value of outstanding works reach HK\$126 million or above, then the following criteria will apply: HK\$12.6 million or 8% on first HK\$800 million of outstanding works & 10% on remainder, whichever is higher)	<ol style="list-style-type: none"> <li>1. registered General Building Contractor under Buildings Ordinance (Cap.123).</li> <li>2. possess the following certificates: ISO 9001, ISO 14001 and OHSAS 18001 Certificates.</li> <li>3. have the following past work record in building construction contract within last three years: at least one satisfactorily completed project as a main contractor in Hong Kong. The minimum of which is HK\$135 million and the project should be for residential building similar in size and complexity of Housing Department projects (for admission only).</li> <li>4. employ the minimum number of full-time staff as follows:               <ol style="list-style-type: none"> <li>(i) 1 technical director who is registered in the Buildings Department and not to be the same person as contract manager/project manager;</li> <li>(ii) 1 contract manager/project manager who has obtained HKIA/MHKIS/MHKIE or equivalent with 3 years relevant local managerial experience and capacity in the construction field <i>or</i> degree in architecture, building surveying, building technology &amp; management, civil/structural engineering <i>or</i> equivalent with 5 years relevant local managerial experience and capacity in the construction field <i>or</i> Higher diploma/higher certificate/diploma in architecture, building surveying, building technology &amp; management, civil/structural engineering <i>or</i> equivalent with 8 years relevant local managerial experience and capacity in the construction field) <i>and</i> registered as authorized signatory in Buildings Department and not to be the same person as the technical director;</li> <li>(iii) 1 site agent who has obtained MHKICW/MICWCI or equivalent with 5 years relevant local experience in construction industry <i>or</i> higher diploma/diploma/higher certificate in building studies <i>or</i> civil/structural engineering <i>or</i> equivalent with 8 years relevant local experience in construction industry.</li> </ol> </li> </ol>

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*Notes:*

1. All Group B contractors must meet the Quality Management System Certification requirements as stipulated in Works Bureau Technical Circular No. 13/2001 and Environment, Transport and Works Bureau Technical Circular (Works) No. 13/2001A.
2. The issued and paid up capital and shareholders' funds should both meet the level of minimum employed capital applicable to his highest group and status.
3. The annualised outstanding works for retention purpose is defined as the combined annual value of uncompleted works on public works contracts, Housing Authority contracts and contracts with the private sector on a world-wide basis.
4. Grand Tech Construction obtained the Group B (probationary) status by direct entry on 16 August 2001.
5. Group B limit mean the group tender limit for Group B, which is HK\$75 million.
6. Top management shall be the president, chairman, director, managing director, executive director or general manager etc.
7. The top management and the technical staff must be two individual persons.
8. For Group B contractors, if the technical staff does not have the required academic qualifications, he will be required to have at least 11 years of proven local experience in the relevant category of works.

Our Directors advised that, as at the Latest Practicable Date, Grand Tech Construction has met the aforesaid criteria and requirements that are applicable to Grand Tech Construction.

### **Regulatory actions against approved contractors by the Development Bureau and the Housing Authority**

The Development Bureau and the Housing Authority may take regulatory actions against failure to meet the financial criteria within prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, and poor environmental performance, court convictions such as contravention of site safety legislation and Employment Ordinance and employment of illegal works etc. For example, if a qualified contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the Government may take regulatory actions against the responsible contractor.

Regulatory actions include removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period), downgrading (which includes downgrading or demoting the contractor's qualification to a lower status or class in all or any specified category), depending on the seriousness of the incident triggering the regulatory actions.

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### **Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)**

Under the Section 14(1) of the Building Ordinance, no person shall commence or carry out any building works, including alteration, addition and every kind of building operation, without having obtained approval and consent from the Building Authority. Any person who intends to carry out alteration or addition building works in existing premises is required to appoint an authorized person, and where necessary a registered structural engineer, to prepare and submit plans for the approval of Building Authority under the Buildings Ordinance. He is also required to appoint a registered contractor to carry out the building works. The Building Authority may require that all such building works carried out in such a way that the building will comply with the standards of the Buildings Ordinance.

Under the Section 4(1) of the Buildings Ordinance, every person for whom building works or street works are to be carried out shall appoint:

- (a) an authorised person as the co-ordinator of such building works or street works;
- (b) a registered structural engineer for the structural elements of such building works or street works if so required under this Buildings Ordinance; and
- (c) a registered geotechnical engineer for the geotechnical elements of such building works or street works if so required under this Buildings Ordinance.

### **D. TOWN PLANNING AND LAND LEASE**

#### **Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong)**

The Town Planning Ordinance provides for the systematic preparation and approval of plans for the lay-out of areas of Hong Kong as well as for the types of building suitable for erection therein and for the preparation and approval of plans for areas within which permission is required for development.

Under Section 21(1) of the Town Planning Ordinance, a person commits an offence of unauthorized development if he undertake or continue development in the development permission area while a plan of a development permission area is effective, unless (a) the development is an existing use; (b) the development is permitted under the plan of the development permission area; or (c) permission to do so has been granted under Section 16 of the Town Planning Ordinance. The offender is liable, in the case of a first conviction, to a fine of HK\$500,000 and, in the case of a second or subsequent conviction, to a fine of HK\$1 million.

Outline Zoning Plans (“**OZPs**”) are statutory plans prepared and published by the Town Planning Board under the Town Planning Ordinance, showing the permitted land-uses and major road systems of individual planning scheme areas. Attached to each OZP is a set of notes setting out the uses which are always permitted (“**Column 1**” uses) in a particular zone and other uses for which the Town Planning Board’s permission must be sought (“**Column 2**” uses). Data centres can be built on land if IT&T Industries is one in Column 1 uses, which are permitted as of right. If IT&T Industries is one

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of Column 2 uses, planning permission from Town Planning Board under Section 16 of the Town Planning Ordinance is required for developing data centres. In other zones where “IT&T Industries” are neither a Column 1 nor Column 2 use on the OZP, proposed data centre use would require application for amendment to the OZP under Section 12A of the Town Planning Ordinance.

### **Land Lease**

Besides zoning permission, the development of data centres is also subject to the terms and conditions of the land lease governing the site. If the term of use in the land lease stipulates “commercial use”, IT&T Industries is one permitted use as of right and therefore data centres can be built on that land. If the term of use in the land lease stipulates “industrial use” or “godown use”, waiver application for change of use is required to the Lands Department to modify the land lease. The waiver fee is charged according to a set of standard rates.

### **New Territories Leases (Extension) Ordinance (Chapter 150 of the Laws of Hong Kong)**

Under Section 6 of the New Territories Leases (Extension) Ordinance, the term of certain leases that would have expired in June 1997 were extended to 30 June 2047, without payment of any additional premium.

## **E. ENERGY EFFICIENCY AND MECHANICAL AND ELECTRICITY INSTALLATIONS**

### **Buildings Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong)**

The Buildings Energy Efficiency Ordinance is to require compliance with codes of practice concerning the energy efficiency of air-conditioning installations, electrical installations, lift and escalator installations and lighting installations (“**4 Key Types of Building Services Installations**”) and energy audits in respect of several types of buildings. The Buildings Energy Efficiency Ordinance came into full operation on 21 September 2012.

The core parts of the Buildings Energy Efficiency Ordinance are concerning the requirements for compliance with the Building Energy Code (“**BEC**”) in new construction of specified types of buildings and in Major Retrofitting Works (as specified in Schedule 3 of the Buildings Energy Efficiency Ordinance) of 4 Key Types of Building Services Installations, as well as the requirement for carrying out energy audit according to the Energy Audit Code (“**EAC**”) in commercial buildings. The mandatory implementation of BEC in Prescribed Buildings (as set out in Schedule 1 of the Buildings Energy Efficiency Ordinance) stipulates the minimum energy efficiency design standards for the 4 Key Types of Building Services Installations. “Prescribed Buildings” cover, among others, commercial buildings and common area of industrial buildings (i.e. excluding individual units), where data centres may be set up. The mandatory implementation of EAC in commercial buildings stipulates the minimum technical requirements of energy audit for 4 Key Types of Building Services Installations in commercial buildings. Submissions in accordance with these parts of the Buildings Energy Efficiency Ordinance have been required since 21 September 2012. Pursuant to Schedule 5 of

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the Buildings Energy Efficiency Ordinance, the first energy audit for an existing commercial building or the commercial portion of an existing composite building with the occupation approval of that building issued after 31 December 1969 but before 1 January 1978 should be carried out not later than 20 September 2015.

### **Electricity Ordinance (Chapter 406 of the Laws of Hong Kong)**

The Electricity Ordinance is to provide for the registration of electrical workers, contractors and generating facilities, to provide safety requirements for electricity supply, electrical wiring and products, to provide powers for electricity suppliers and the Government respecting electrical accidents and enforcement of the Electricity Ordinance, and to provide for measures designed to ensure that activities carried out in the vicinity of electricity supply lines do not prejudice safety or the continuity of the electricity supply.

Pursuant to Regulation 20 of the Electricity (Wiring) Regulations, owners of electrical installations shall have periodic inspection, testing and certification for fixed electrical installations. Under Regulation 20(2) of the Electricity (Wiring) Regulations, for typical industrial premises, electrical installations with an approved loading exceeding 200 amperes shall be inspected, tested and certified at least once every 5 years. Under Regulation 20(3) of the Electricity (Wiring) Regulations, for typical residential or commercial premises, electrical installations with an approved loading exceeding 100 amperes shall be inspected, tested and certified at least once every 5 years. A fixed electrical installation shall be inspected, tested and certified by a registered electrical worker. According to Regulation 24 of the Electricity (Wiring) Regulations, a person who contravenes Regulation 20 of the Electricity (Wiring) Regulations commits an offence and is liable to a fine of HK\$10,000.

### **F. SAFETY**

#### **Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong)**

Pursuant to Dangerous Goods Ordinance, Cap. 295, Laws of Hong Kong, storage of any dangerous goods in excess of the prescribed exempted quantity shall require a Dangerous Goods licence.

Section 3 of the Dangerous Goods Ordinance declares “All explosives, compressed gases, petroleum and other substances giving off inflammable vapours, substances giving off poisonous gas or vapour, corrosive substances, substances which become dangerous by interaction with water or air, substances liable to spontaneous combustion or of a readily combustible nature” to be “dangerous good”.

Under Section 6 of the Dangerous Goods Ordinance, no person shall store any dangerous goods in excess of exempted quantity in any premises or places without a licence issued by the director of the Fire Services Department. In accordance with Regulation 99 of the Dangerous Goods (General) Regulations, the exempted quantity of diesel oil is 2,500 litres. Storage tank for diesel oil requires the approval from the director of the Fire Services Department in accordance with Regulation 99A of the Dangerous Goods (General) Regulations.

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Under Section 14 of the Dangerous Goods Ordinance, any person who contravenes Section 6 of the Dangerous Goods Ordinance shall be guilty of an offence and shall be liable to a fine of HK\$25,000 and to imprisonment for 6 months.

### **Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)**

Under Section 16(1)(b)(ii) of the Buildings Ordinance, the Building Authority may refuse to give his approval of plans of building works unless the plans are endorsed or accompanied by a certificate from the director of the Fire Services Department certifying that the plans have been examined and are approved by him as showing all such fire service installations and equipment as in the opinion of the director of the Fire Services Department, having regard to the purpose to which the building is intended to be put, comprise the minimum fire services installations and equipment necessary for such building in according with Code of Practice for Minimum Fire Service Installations and Equipment published from time to time by the director of the Fire Services Department.

Under Section 21(6)(d) of the Buildings Ordinance, the Building Authority may refuse to issue a temporary occupation permit or an occupation permit unless the applicant for the permit produces a certificate from the director of the Fire Services Department certifying that he is satisfied that the fire service installations and equipment shown on the plans have been provided and are in efficient working order and satisfactory condition.

### **Fire Service (Installation and Equipment) Regulations (Chapter 95B of the Laws of Hong Kong)**

According to Regulation 8 of the Fire Service (Installation and Equipment) Regulations, the owner of any fire service installation or equipment which is installed in any premises shall (a) keep such fire service installation or equipment in efficient working order at all times; and (b) have such fire service installation or equipment inspected by a registered contractor at least once in every 12 months.

### **Codes of Practice for Minimum Fire Service Installations and Equipment and Inspection, Testing and Maintenance of Installations and Equipment (April 2012 revision) (the “Code of Practice”)**

The Hong Kong Fire Services Department has published the Codes of Practice. The Codes of Practice stipulates that the minimum fire service installations and equipment for, amongst others, industrial/godown buildings. The followings are the minimum fire service installations and equipment for an industrial/godown building and besides it, the extent of these minimum fire service installations and equipment:

- (i) Automatic actuating devices — As required by that equipment which needs to be automatically actuated.
- (ii) Automatic fixed installation other than water — To be provided to areas where the use of water is undesirable for the occupancy or trade.
- (iii) Emergency generator — An independently powered generator of sufficient electrical capacity to meet the fire service installations and fireman’s lifts it is required to provide.



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- (iv) Emergency lighting — Emergency lighting shall be provided throughout the entire building and all exit routes leading to ground level.
  - (v) Exit sign — Sufficient directional and exit signs to ensure that all exit routes from any floor within the building are clearly indicated as required by the configuration of staircases serving the building.
  - (vi) Fire alarm system — One actuating point and one audio warning device to be located at each hose reel point. Visual alarm signals shall be provided where necessary in accordance with current Design Manual: Barrier Free Access. This actuating point shall include facilities for fire pump start and audio/visual warning device initiation.
  - (vii) Fire control centre — Minimum of one, additional to be provided according to the complexity of the building.
  - (viii) Fire detection system — To be provided in areas not covered by automatic fixed installations.
  - (ix) Fire hydrant/hose reel system — There shall be sufficient hydrants and hose reels on each floor to ensure that every part of the building can be reached by a length of not more than 30 m of Fire Services hose and hose reel tubing.
  - (x) Firefighting and rescue stairway — As required by the Code of Practice for Fire Safety in Buildings.
  - (xi) Portable hand-operated approved appliance — As required by occupancy.
  - (xii) Pressurisation of staircase — Required where:
    - (a) natural venting of staircase is not provided;
    - (b) the aggregate area of openable windows of the rooms/units of the building does not exceed 6.25% of the floor area of those rooms/units, calculated on a floor by floor basis;
    - (c) the cubical extent of the building exceeds 28,000 cubic metres; and
    - (d) the designed fire load of the building is likely to exceed 1,135 MJ/square metre.
- The number of pressurised staircases to be provided shall be determined by the table stipulated under the definition of pressurisation of staircase in Part II provided that the number of pressurised staircases required shall not exceed the total number of staircases required by the Code of Practice for Fire Safety in Buildings.
- (xiii) Sprinkler system — In all parts of the buildings including staircases, common corridors and toilets.

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- (xiv) Static or dynamic smoke extraction system — Required for any fire compartment exceeding 7,000 cubic metres where:
- (a) the aggregate area of openable windows of the compartment does not exceed 6.25% of the floor area of that compartment, and
  - (b) the designed fire load is likely to exceed 1,135 MJ/square metre.

The requirement of hot smoke test will be stipulated if considered necessary by the Director of Fire Services in the building plans involving compartments:

- (i) with headroom of 12 metres or more; or
  - (ii) with irregular geometrical dimensions or extraordinary large size.
- (xv) Ventilation/air conditioning control system — When a ventilation/air conditioning control system to a building is provided, it shall stop mechanically induced air movement within a designated fire compartment.

### **Lifts and Escalators Ordinance (Chapter 618 of the Laws of Hong Kong)**

The Lifts and Escalators Ordinance introduces a series of enhanced control measures including extending the coverage of the legislation; strengthening the registration regime of personnel engaged in lift and escalator works; increasing the penalty levels of offences; and improving the regulatory processes to enhance efficiency.

The Lifts and Escalators Ordinance is applicable to lifts and escalators in both public and private sectors. The responsible persons, including owners of a lift/escalator and any other person who have the management or control of the lift/escalator, have the duty to ensure their lift/escalator is kept in a proper state of repair and in safe working order.

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## INDUSTRY OVERVIEW

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*This section contains certain information which is derived from official government publications and industry sources as well as a report prepared by Ipsos, an Independent Third Party, which was commissioned by us. The information extracted from the Ipsos Report reflects estimates of market conditions based on Ipsos' research and analysis, and is prepared primarily as a marketing research tool.*

*Our Directors believe that the official government publications and sources of the information extracted from the Ipsos Report are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information extracted from the official government publications and the Ipsos Report has not been independently verified by us, or any of our affiliates or advisers, nor by the Sole Sponsor, Underwriters or any of their respective directors, affiliates or advisers or any party involved in the Share Offer. Further, the information from official government publications may not be consistent with information available from other sources. We, our affiliates or advisers, the Sole Sponsor, Underwriters or their respective directors, affiliates or advisers, or any party involved in the Share Offer do not make any representation as to the accuracy, completeness or fairness of such information and, accordingly, you should not unduly rely on such information.*

## INTRODUCTION

We have commissioned Ipsos, an independent market research company, to conduct an analysis of, and to report on, market of leasing of data centre premises and construction market in Hong Kong for the period from 2007 to 2016. The report has been prepared by Ipsos independently at a fee of HK\$378,000 and our Directors consider that such fee reflects market rates.

The forecasts in the Ipsos Report are based on the following general bases and assumptions:

- the global economy is assumed to maintain a steady growth across the forecast period; and
- there is no external shock such as financial crisis or natural disasters to affect the demand and supply of industry of leasing of data centre premises and construction industry during the forecast period.

The Ipsos Report includes market information on the industry of leasing of data centre premises and construction industry such as revenue and other economic data, which have been quoted in this prospectus. Ipsos' independent research was undertaken through both primary research and other researches obtained from various sources. Primary research involves interviewing key stakeholders and industry experts including associations and experts, service and facility providers and customers of leasing of data centre premises, and property developers and building contractors in Hong Kong, China, Taiwan and Southeast Asia.

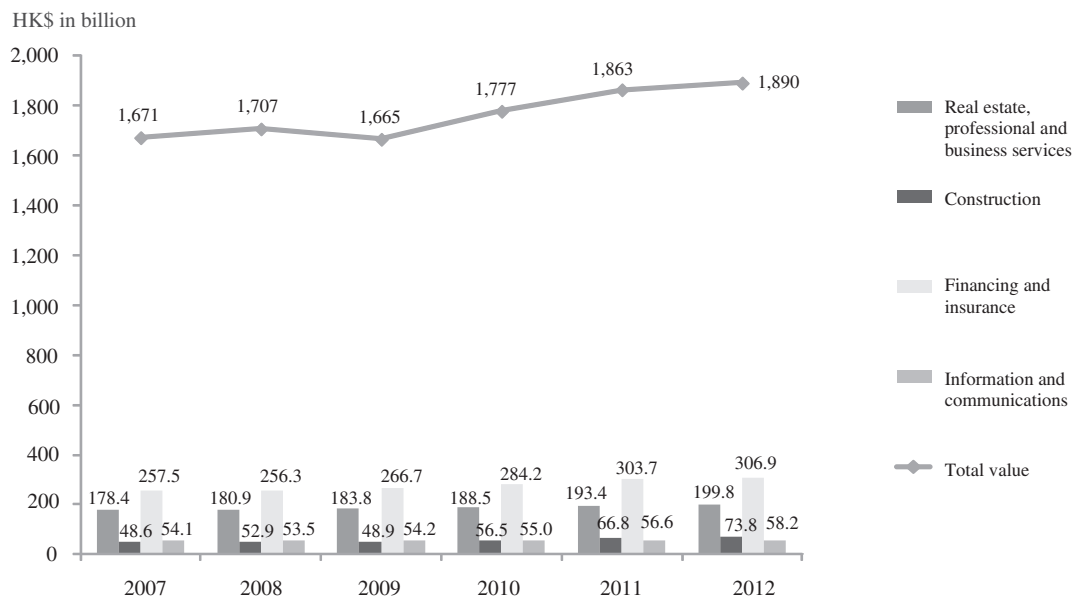
## INDUSTRY OVERVIEW

Ipsos is an independent market research company and consulting company. It is part of Ipsos SA, founded in Paris, France, in 1975, listed on the Paris stock exchange (NYSE Euronext Paris) since 1999 and employed approximately 16,000 personnel worldwide across 85 countries. It acquired Synovate Limited in October 2011. Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

### OVERVIEW OF THE HONG KONG ECONOMY

According to the Census and Statistics Department of Hong Kong, the GDP of Hong Kong grew at a CAGR of about 2.5% from approximately HK\$1,671 billion in 2007 to approximately HK\$1,890 billion in 2012.

**Total GDP value and GDP value of certain industry segments of Hong Kong**



*Note: The total GDP value is calculated in chained (2010) dollars.*

*Sources: Census and Statistics Department, HKSAR.*

According to the Ipsos Report, the total GDP value of real estate, professional and business service segment in Hong Kong increased from approximately HK\$178.4 billion in 2007 to HK\$199.8 billion in 2012, representing a CAGR of 2.3%, the total GDP value of construction segment in Hong Kong increased from HK\$48.6 billion in 2007 to HK\$73.8 billion in 2012, representing a CAGR of 8.7%, the total GDP value of information and communications segment increased from approximately HK\$54.1 billion in 2007 to HK\$58.2 billion in 2012, representing a CAGR of 1.5%, while the total value of financing and insurance segment increased from approximately HK\$257.5 billion in 2007 to HK\$306.9 billion in 2012, representing a CAGR of 3.6%. Looking forward, the financing and

## INDUSTRY OVERVIEW

insurance and telecommunications industries are expected to continue to drive the demand for data centre space in Hong Kong while growth in the property market, spurred by increase in land supply from the Hong Kong Government and population growth in Hong Kong, will continue to support the demand for building construction services, particularly for high-end and luxurious residential properties in Hong Kong.

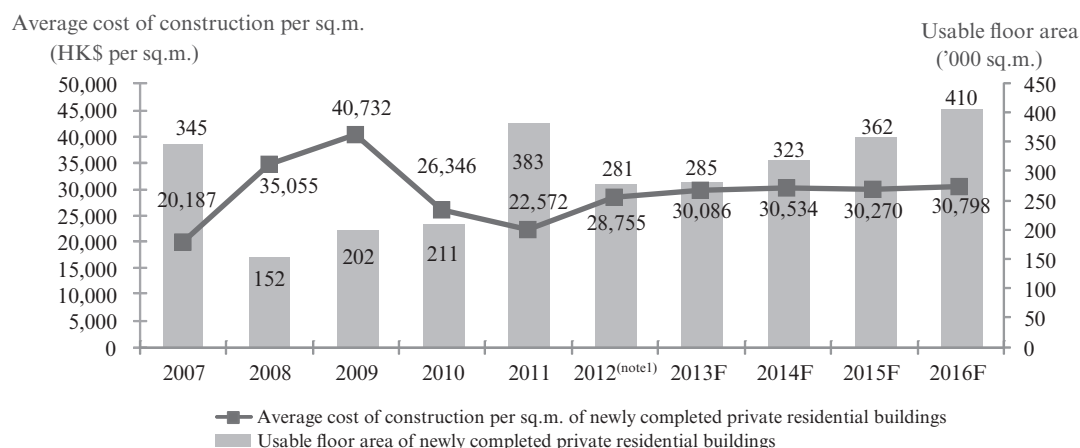
### OVERVIEW OF THE CONSTRUCTION INDUSTRY IN HONG KONG

#### Market overview of construction services in Hong Kong

A building contractor typically acts as a project coordinator to communicate among sub-contractors and the property developers or investors, and has full control and responsibility over the onsite operations of a construction project.

Building contractors in Hong Kong mainly serve the private and/or public sectors. Private sector refers to the property developers, while public sector mainly refers to the Hong Kong Government and other government authorities. Building construction services in Hong Kong can be broadly classified into residential, commercial (office and retail space), hotel, industrial and infrastructure development. According to the Ipsos Report, building construction of residential buildings is the largest segment of the construction market which accounted for about 61.7% of the total gross value of construction works of construction industry in Hong Kong in 2012. The diagram below sets out the historical and future total usable floor area and average construction cost per square meter of newly completed private residential buildings in Hong Kong from 2007 to 2016.

**Total usable floor area and average construction cost per square meter of newly completed private residential buildings in Hong Kong**



*Note 1: Actual data of average cost of construction per sq.m. of newly completed private residential buildings was not available as at the Latest Practicable Date.*

*Note 2: The above data of private residential buildings does not include composite buildings, small houses in the New Territories and construction projects of which data of usable floor area or construction cost is not available.*

Sources: Ipsos Report and Buildings Department of Hong Kong, Census and Statistics Department, HKSAR

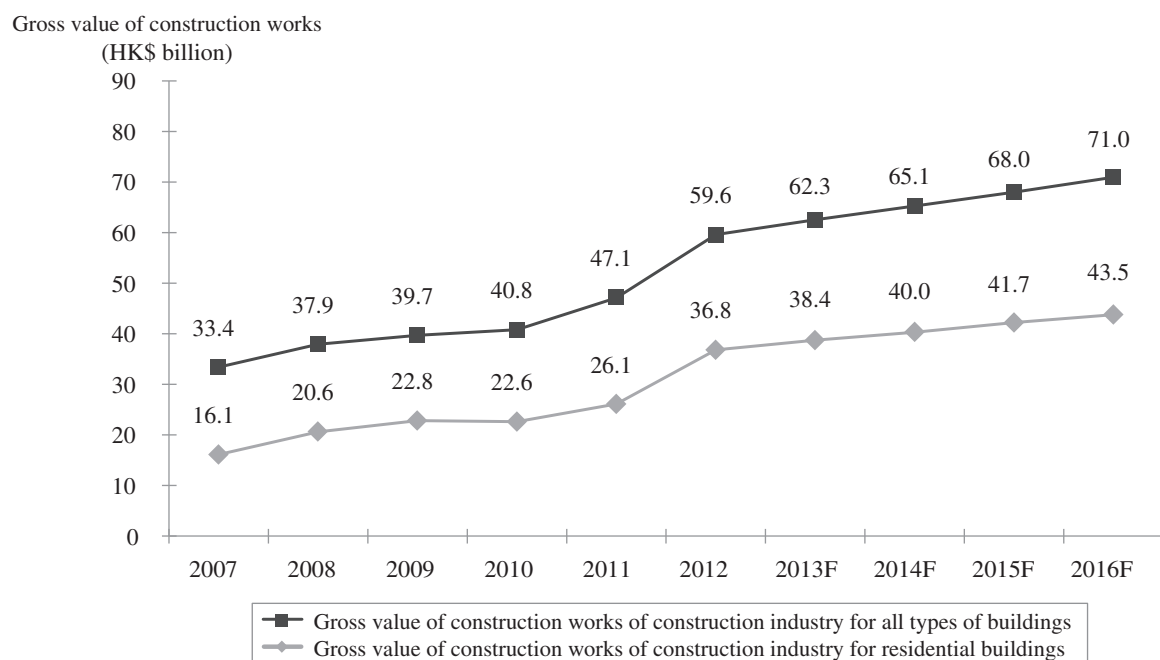
## INDUSTRY OVERVIEW

As illustrated above, due to the global financial crisis, the total usable floor area of newly completed private residential buildings declined sharply from approximately 345,000 sq.m. in 2007 to approximately 152,000 sq.m. in 2008. The total usable floor area of newly completed private residential buildings recorded a steady growth from 2008 to 2010 and the growth accelerated in 2011 to approximately 383,000 sq.m. which was mainly attributed to the increasing demand from mainland Chinese buyers and the heated property market. The average construction cost per square meter of newly completed private residential buildings increased sharply from approximately HK\$20,187 per sq. m. in 2007 to HK\$40,732 per sq.m. in 2009. According to the Ipsos Report, the increase was driven by the rising construction materials and labour cost during this period, especially the surging prices of steel reinforcement bars as a result of high commodity prices. Average construction cost per square meter of newly completed private residential buildings began to drop in 2009 as construction materials costs declined, and it further dropped to HK\$22,572 per sq.m. in 2011, at a level close to the average cost in 2007. Ipsos forecasts that the total usable area of newly completed private residential buildings will grow steadily after 2012 and the average construction cost per square meter of private residential properties will also increase gradually due to the anticipated rising labour cost.

### Historical and forecast market size of the construction industry in Hong Kong

The chart below shows the gross value of construction works of construction industry in Hong Kong for the years indicated.

**Gross value of construction works of the construction industry in Hong Kong**



Sources: Census and Statistics Department, HKSAR and Ipsos Report.

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*Note 1: Gross value of construction works refers to only value of construction of buildings, whereas values of construction of structures and facilities and construction works at non-construction sites are not reflected in the above chart.*

*Note 2: The major assumptions in the projection of growth shown in the above chart include that during the forecast period, the global economy will maintain a steady growth, there will be no external shock such as financial crisis or natural disaster which affects the demand of building construction services, and there will be no material change in the Government policies, measures and attitudes in the development of residential property market in Hong Kong.*

*Note 3: The major parameters used in the projection of growth shown in the above chart include the expected growth in terms of both GFA and value of residential properties in completion and under construction during the forecast period according to the data available to Ipsos and their analysis.*

According to the Ipsos Report, the gross value of construction works of the construction industry in Hong Kong grew from about HK\$33.4 billion in 2007 to about HK\$59.6 billion in 2012, representing a CAGR of approximately 12.3%. The gross value of construction works for residential buildings in Hong Kong grew even faster at a CAGR of about 18.0% from about HK\$16.1 billion in 2007 to about HK\$36.8 billion in 2012. The growth of the gross value of construction works of the construction industry in Hong Kong slowed down in 2009 and 2010 at about 4.7% and 2.8% respectively as a result of the weakened buying sentiment felt from the impact of the global financial crisis since 2008, whereas the gross value of construction works for residential properties in Hong Kong also dropped slightly by 0.9%, from about HK\$22.8 billion in 2009 to about HK\$22.6 billion in 2010. Growth picked up in 2011 and the gross value of construction works of the construction industry in Hong Kong grew by about 15.4% in 2011 and surged at about 26.5% in 2012, in particular, the gross value of construction works for residential buildings grew by about 15.5% in 2011 and reached about 41.0% in 2012. The strong rebound was mainly attributed to the surging property prices in Hong Kong during these years.

Nevertheless, in view of the overheated property market, the Hong Kong Government was in an effort to cool down the housing market by launching the Special Stamp Duty with effect from November 2010 which imposed additional stamp duty for reselling residential properties within 24 months of purchases. Further, it also introduced the Buyer's Stamp Duty for foreign buyers in Hong Kong in 2012. This new stamp duty imposes an additional tax of 15% on purchases made by non-Hong Kong residents on top of the existing stamp duty and special stamp duty. These new stamp duties decreased the potential profit for overseas investors, and may curb non-residents speculation and stabilize the market for local buyers. In view of the implementation of these government measures, it is anticipated that the growth rate of total gross value of construction works in Hong Kong will slow down at a CAGR of about 4.5% from 2013 to 2016, and the gross value of construction works for residential buildings will grow at a CAGR of about 4.2% over the same period.

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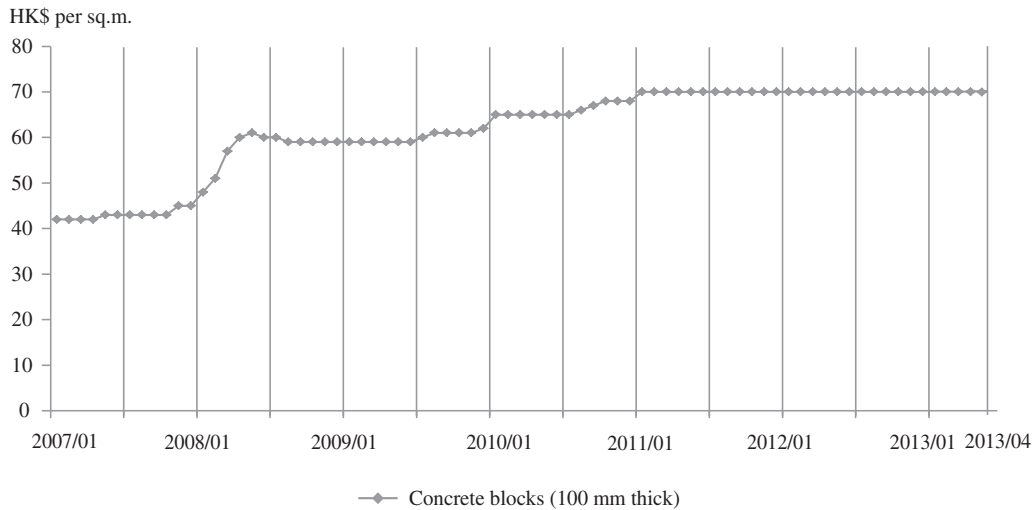
## INDUSTRY OVERVIEW

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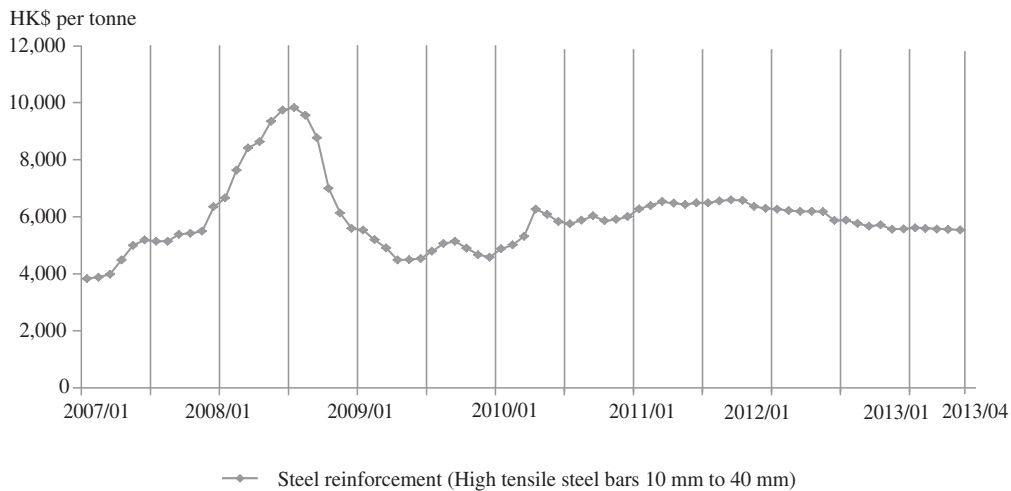
### Historical price trend of major construction materials of our Group

The below charts show the historical price movement of our major construction materials, namely reinforcement steel and concrete, from January 2007 to April 2013.

**Monthly wholesale price of concrete blocks**



**Monthly wholesale price of reinforcement steel**



Sources: Census and Statistics Department, HKSAR and Ipsos Report.



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From January 2007 to April 2013, the average wholesale price of concrete and reinforcement steel increased from about HK\$42 per sq.m. and HK\$3,830 per tonne, respectively, in January 2007 to about HK\$70 per sq.m. and HK\$5,343 per tonne, respectively, in April 2013. The increase in the average wholesale price of these materials accelerated since the end of 2007. The average wholesale price of concrete and reinforcement steel increased from about HK\$45 per sq.m. and HK\$5,492 per tonne, respectively, around the end of 2007 and reached the peak of about HK\$60 per sq.m. and HK\$9,823 per tonne, respectively, in July 2008. Such increase was mainly attributable to the strong construction demand in Hong Kong, Macau and China, weak US dollar, high commodity prices, appreciation in value of Renminbi and the accelerated pace of inflation in Hong Kong and China as most of these materials are imported from China. As a result of the global financial crisis, the average wholesale price of reinforcement steel dropped sharply from about HK\$9,559 per tonne in August 2008 to about HK\$4,483 per tonne in April 2009. The gradual recovery of global economic performance has driven the price increase of reinforcement steel from 2009 to 2011, while the European debt crisis in 2011 led the price dropped slightly again from 2011 to 2012. The average wholesale price of concrete grew steadily from 2009 onwards and remained stable at about HK\$70 per tonne throughout 2012.

### **Factors affecting the growth and development of the construction industry in Hong Kong**

According to the Ipsos Report, increasing demand from the mainland Chinese buyers for high-end residential properties, together with the growing population will drive the demand for building construction services for residential properties in Hong Kong:

- *Increasing demand for high-end residential properties:* Building construction services for residential properties in Hong Kong has proliferated, especially in the recent years with the increasing price of private residential properties. In particular, the increase in completion for high-end residential properties to fulfil the demand of the PRC investors has caused the price of residential properties in Hong Kong to surge. According to the Ipsos Report, the number of new completion of high-end and luxurious residential units (with saleable area of 100 sq.m. or above) grew at a CAGR of about 26.8% from 2007 to 2012 and accounted for about 23.8% of the total number of new residential units in 2012. With more property developers shifting focus to develop high-end residential properties for higher profit, this will be a key driver for the building construction services for residential properties in Hong Kong.
- *Increase in land supply from the Hong Kong Government:* Hong Kong Government has introduced measures to boost land supply to maintain healthy property market in Hong Kong. It has placed a total of about 46 residential sites in the land sale programme for the period from February 2013 to March 2014. In the 2013 Policy Address, the Hong Kong Government announced to take strong measures to increase the supply of housing land in the short and medium-term. Those measures include rezoning, releasing and converting land for housing development, and expediting development projects. These new construction projects are expected to boost the demand for the building construction services in Hong Kong.

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- *Demand from mainland Chinese buyers:* The PRC Government has launched measures to cool down the property market in China, including limits on multiple-home ownership and raising of interest rates. These policies have driven mainland Chinese investors to buy properties overseas. In addition, the pegged Hong Kong dollar with US dollar and the appreciation of RMB generates a favourable environment for purchasing properties in Hong Kong. The demand from mainland Chinese buyers will continue to boost the development of the high-end residential property market and raise the demand for building construction services for high-end residential properties in Hong Kong. However, the introduction of buyer's stamp duty on residential properties with effect from October 2012, charged at a flat rate of 15% on top of the existing stamp duty and special stamp duty, charged on top of the ad valorem duty, imposed to any buyer who is not a Hong Kong permanent resident and by companies may lower the demand from mainland Chinese buyers.
- *Population growth in Hong Kong:* The demand for residential properties increases with the growth in population. Hong Kong's population is estimated to increase from approximately 7.2 million in 2012 to approximately 7.6 million in 2019. Increasing population is driving demand for residential housing in Hong Kong. In response to the huge demand in housing, the Hong Kong Government launched new housing policies in its 2013 Policy Address to increase housing land supply and it estimated that a total of 67,000 first-hand private residential units should come on the market in the next three to four years. Such policies will raise the demand for building construction services for residential properties in the future.

### **Competitive landscape of the construction industry in Hong Kong**

The construction industry in Hong Kong is dominated by small-scale sub-contractors which represented over 90% of the total number of building contractors in 2012. The market is diversified and contains a mixture of local contractors, foreign contractors, sub-contractors and companies that are involved in both sub-contracting and property development. While the market for residential properties is highly fragmented with the top 5 building contractors together accounting for approximately 23.6% of the total revenue from building construction services for private residential properties in 2012, the intensifying marketing competition has led to market consolidation of the construction industry in Hong Kong in recent years, with the elimination of weaker players. According to the Ipsos Report, our Group accounted for about 1.3% of the total market share of building construction services for private residential properties in Hong Kong in 2012.

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The table below sets out the top 5 building contractors of private residential properties in Hong Kong in terms of their revenue in 2012:

### Top 5 building contractors of private residential properties in Hong Kong in 2012

Rank	Building contractor	Revenue from building construction services for private residential properties (HK\$ million)	% of total market revenue	Key service
1	Company A	2,565.0	6.0%	Building construction, redevelopment and renovation
2	Company B	2,343.5	5.4%	Building construction, redevelopment and renovation
3	Company C	2,331.5	5.4%	Building construction, redevelopment and renovation
4	Company D	1,605.0	3.7%	Building construction, redevelopment and renovation
5	Company E	1,333.5	3.1%	Building construction, redevelopment and renovation

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*Source: Ipsos Report*

According to the Ipsos Report, main contractors in Hong Kong are competing to build their reputation as well as close relationships with developers to outstand and win building contracts in the market:

- *Reputation and credibility:* The reputation and credibility of building contractors is based on their timeliness, quality of work, safety and environment performance. Building contractors with high reputation and credibility are able to gain trust from property developers which can increase the opportunity of winning building contracts.
- *Relationships with developers:* Building contractors who have established close relationships with key property developers in Hong Kong could have more information and a better opportunity to obtain building contracts.

According to the Ipsos Report, financial capability and stable and long-term relationships with property developers pose entry barriers for new main contractors to enter into the Hong Kong market. Strong financial capability is essential for a main contractor to guarantee payment to sub-contractors and suppliers as the inability to settle payment on time may defer the construction schedule and affect

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credibility. In addition, existing building contractors usually have developed a reputation in the market which gives them an advantage for gaining projects from property developers. Such poses entry barriers for newly established building contractors who have not built sound relationship with key developers and limits their potential in the market.

### OVERVIEW OF THE INDUSTRY OF DATA CENTRE PREMISES LEASING IN HONG KONG

#### Introduction

A data centre is a facility used to house computer systems and associated components, such as telecommunications and storage systems. A data centre provides uninterrupted service to business-critical data processing operations, and generally includes backup power supplies, backup data communication connections, environmental controls and security devices, with the following main features:

- around the clock availability;
- fail-safe reliability and continuous monitoring;
- power management and network communications, redundancy and path diversity;
- network security, physical access control and video surveillance;
- zoned environmental control; and
- fire suppression and early warning smoke detection systems.

The aforesaid features are crucial because company operations may be impaired or stopped completely if information, communication or data storage systems become unavailable or are disrupted. Furthermore, according to the publication by the OGCIO (the “OGCIO Paper”), data centres constitute an essential part of the infrastructure in a knowledge-based economy. It supports the sustainable growth of Hong Kong’s traditional pillar industries like financial services, trading and logistics. It provides the catalyst for the development of new content and applications, and it is therefore fundamental to the growth of the ICT industry.

#### Data Centre Co-location Services

Data centre co-location services commonly refer to the rental of lockable rack cabinets or cages by the data centre co-location providers to their clients, such as financial and insurance institutions. The co-location providers usually construct the data centre building and offer the building space and basic facilities such as cooling, power distribution, network connectivity, etc. to the customers and ensure the proper maintenance of the data centre building. The customers will install their servers and software in the data centre space they lease. Co-location services minimise the cost and operation of customers as it allows companies to retain control of their IT infrastructure without the issues of building an in-house data centre, construction or refitting of a building. It can be categorised into wholesale co-location and retail co-location services.

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- **Wholesale co-location service:** wholesale co-location providers buy or build data centres, and lease the data centres out, on very large portions of them, such as multiple floors of the building, mainly to data centre operators. It is suitable for data centre users who want co-location-style of outsourcing but need more space than a retail co-location provider can offer. Except for the power and cooling infrastructure, wholesale co-location providers offer mainly the space required for operating a data centre which does not include the work of rolling in the servers and racks, or cabling up the gear. For this reason, wholesale co-location services are generally offered at a lower rental cost than retail co-location.
- **Retail co-location service:** in addition to rental space, power and cooling infrastructure that are usually provided by the wholesale co-location providers, retail co-location providers provide operating and support services, such as rebooting servers, which wholesale co-location providers do not provide. Retail co-location is, in particular, suitable for small and medium enterprises (SMEs) which do not have the expertise or capacity to develop and operate their own data centres and are heavily reliant on IT services provided by third party providers.

In Hong Kong, wholesale co-location providers are usually local property owners and property developers. According to the Ipsos Report, we are currently the only wholesale co-location provider in Hong Kong who owns and uses the entire building for leasing to customers for data centre use while most of the other wholesale co-location providers have their own data centre buildings but lease out only part of the premises to data centre operators. Currently, wholesale co-location services are less common than retail co-location services in Hong Kong. This service is now more prevalent in the United Kingdom and Europe.

### Data Centre Tiering Systems

The Telecommunications Industry Association (TIA) and Uptime Institute are two commonly quoted authoritative institutions for data centre's tiering in the industry. TIA developed its TIA-942 Standard which has four data centre tiers relating to various levels of availability and security of the data centre facility infrastructure. Higher tiers correspond to higher availability and security. Uptime Institute developed its data centre infrastructure tier standard ranging from Tier I to IV in which higher tier standards require more stringent infrastructure requirements. According to the Ipsos Report, there were no data centre in Hong Kong that had been accredited by TIA or Uptime Institute as high-tier data centres as at the end of 2012.

The Hong Kong Government is committed to fostering Hong Kong as the prime location for data centres in Asia Pacific, in particular, the development of high-tier data centres (Tier 3 or above). Set out below is the classification of different tiers of data centres from OGCIO which is based on the classification of Uptime Institute:

Tier 1 — Data centre has the lowest availability of 99.671% with basic site infrastructure;

Tier 2 — Data centre has availability of 99.75% with redundant site infrastructure;

Tier 3 — Data centre has availability of 99.98% with concurrently maintainable site infrastructure; and

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## INDUSTRY OVERVIEW

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Tier 4 — Data centre has availability of 99.995% with fault tolerant site infrastructure including electrical power storage and distribution facilities. All operating components have to be duplicated, including power supply, backup generator, cooling equipment and etc..

### **High-tier data centres**

According to practice note issue no. 3/2012 issued by the Lands Administration Office of the Lands Department, high-tier data centre means a data centre designed to support concurrent maintenance such that the data centre services will not be interrupted during planned maintenance to the components in the data centre. It is also designed for high availability of operation and services to a level as generally accepted by the industry. A high-tier data centre includes:

- Redundant telecommunications access;
- Redundant support components (including but not limited to power generator and cooling equipment);
- Redundant power and cooling distribution paths;
- Dedicated and environmentally controlled space for the computer room;
- Dedicated cooling equipment; and
- Dedicated power generator and associated fuel tank.

The redundant systems will be able to take over the functions of the primary systems to ensure uninterrupted operation. The dedicated equipment will be used solely for the operation of the data centre and will not be shared with non-data centre uses.

According to Ipsos, high-tier data centres are more competitive than low-tier data centres in Hong Kong, since the offering of more reliable and stable data centre services are easier to attract large enterprises and multi-national corporations who usually prefer to secure contracts of longer rental periods. High-tier data centres can also generate higher rental income in Hong Kong.

### **Market overview of the industry of data centre premises leasing in Hong Kong**

Hong Kong is an ideal location for developing data centres, due to its high demand from financial, insurance services and information and communication industries, comprehensive telecommunications infrastructure, reliable electricity power supply, effective protection of data privacy and information security, proximity to China and good business environment. Industry of leasing of data centre premises in Hong Kong is one of the largest in Asia Pacific with service providers of leasing of data centre premises of varying scales and tiering. According to the Ipsos Report, there were 46 data centre buildings in Hong Kong in 2012. The total revenue of the Hong Kong industry of leasing of data centre premises reached approximately HK\$6,554 million in 2012, which ranked the third in Asia Pacific, after China and Japan. Hong Kong Government is committed to fostering Hong Kong as the prime location for data centres in Asia Pacific.

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According to the OGCIO Paper, based on empirical evidence, most financial institutions choose to locate their regional support offices in the same location as their regional data centres. The primary reasons for such decisions include ease of management, availability of skilled manpower, and the overall attractiveness of the location for business.

### **Hong Kong Government support and incentives**

To foster Hong Kong as the prime location for data centre, the OGCIO has set up a Data Centre Facilitation Unit to provide coordinated services to interested developers and investors on matters related to setting up data centres in Hong Kong and to promote Hong Kong as a prime location for data centres in the Asia Pacific region. The Hong Kong Government has also introduced a number of incentive programmes encouraging development of data centres by conversion of entire existing industrial buildings and development of data centre building on industrial lots.

The Hong Kong Government announced in October 2009 an optimization scheme with a package of measures to optimize the use of existing industrial building by development of industrial buildings, such as:

- Lowering the application threshold for compulsory sale orders under the Land (Compulsory Sale for Redevelopment) Ordinance from 90% to 80% of ownership for industrial buildings;
- Allowing tailor-made lease modifications at “pay for what you build” premium (i.e. assess premium based on the optimal use and proposed development intensity of the redevelopment) for redevelopment of industrial buildings situated in non-industrial zones;
- Allowing owners to modify the land lease for redevelopment of industrial buildings to opt for payment of 80% of the land premium by annual instalments up to five years at a fixed rate of interest, if the premium for the lease modification exceeds HK\$20 million; and
- Owners of an industrial building, located in “industrial”, “commercial or “other specified uses (business)” zones, may apply for a special waiver for the wholesale conversion of existing industrial buildings (i.e. change of use of the entire building) from industrial to data centre use at a nil waiver fee for the lifetime of the building or until expiry of the current lease, whichever is earlier.

To promote the development of high-tier data centres, starting from 25 June 2012, for development of high-tier data centres on industrial lots through lease modification, the premium will be assessed on the basis of actual development intensity and high-tier data centre use.

These incentive programmes may encourage well-resourced property companies which would be able to convert industrial buildings under their portfolios into data centre buildings to enter into the industry of leasing of data centre premises and their entry may intensify the competition in the market. For further details, please refer to the section headed “Risk Factors” in this prospectus.

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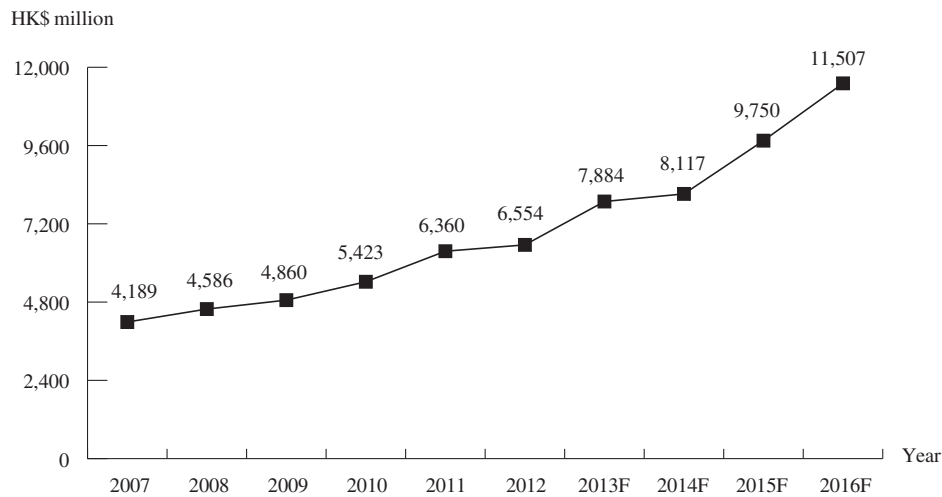
## INDUSTRY OVERVIEW

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### Historical and forecast market size of the market of data centre premises leasing in Hong Kong

The chart below shows the historical and forecast revenue of the market of data centre premises leasing in Hong Kong for the years indicated.

**Historical and forecast revenue of the industry of data centre premises leasing in Hong Kong**



*Note 1: The major assumptions in the projection of growth shown in the above chart include that during the forecast period, the global economy will maintain a steady growth, there will be no external shock such as financial crisis or natural disaster which affects the demand of data centre services, and the continuing strong Government policy such as favourable measures relating to the conversion of industrial buildings for data centre development and lease modification for industrial land for high-tier data centres.*

*Note 2: The major parameters used in the projection of growth shown in the above chart include the expected increase in demand of data centres, land supply for developing data centres, expected growth in the number and total raised floor space of data centres, expected surge of rental price of data centres, the launch and conversion of more high-tier data centres and the expected increase in the number of enterprises in Hong Kong particularly for financial and insurance institutions during the forecast period, according to the data available to Ipsos and their analysis.*

Source: Ipsos Report

Driven by the rising demand of large-scale enterprises establishing their offices in Hong Kong, Government encouragement and advanced technology development, the market of data centre premises leasing in Hong Kong has experienced a high level of growth in recent years. According to the Ipsos Report, the total revenue from the market of data centre premises leasing in Hong Kong has significantly increased from approximately HK\$4,189 million in 2007 to approximately HK\$6,554 million in 2012, representing a CAGR of approximately 9.4% over the period. The market of leasing of data centre premises in Hong Kong is projected to grow significantly to approximately HK\$11,507 million in 2016 from approximately HK\$7,884 million in 2013, representing a CAGR of approximately 13.4%, according to the Ipsos Report, which is mainly attributable to the expected growth in the demand of data centres, land supply for developing data centres, number and total raised floor space of data centres. According to a discussion paper of the Hong Kong Legislative Council in 2011, Hong Kong will require an additional 1.8 million sq.ft. of raised floor space of data centres by 2015. To meet the increasing demand for data centres, the Hong Kong Government has set aside about



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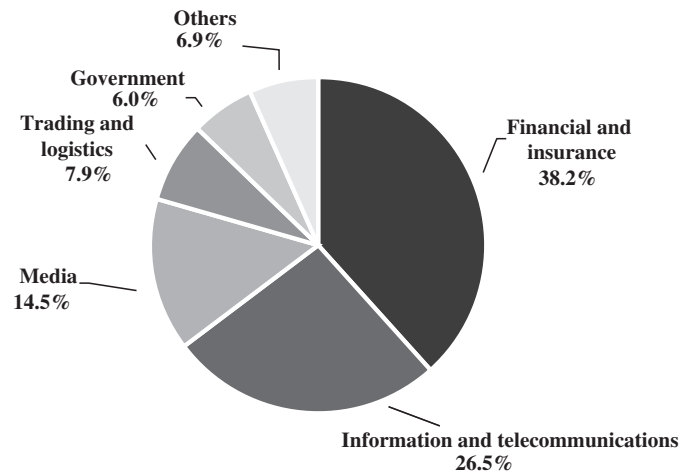
## INDUSTRY OVERVIEW

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12 hectares of land for developing high-tier data centre since 2010. Moreover, according to Ipsos, a number of data centre operators have announced that they have plans to establish data centres in Hong Kong and are expected to start operation from 2013 to 2016.

The diagram below sets out the total revenue of industry of data centre premises leasing in Hong Kong segmented by types of customers in 2012.

### Revenue of industry of data centre premises leasing in Hong Kong by types of customers in 2012



*Note: Others include, among others, transportation, storage, postal and courier services, real estate, professional and business services, import/export etc.*

Source: Ipsos Report

In 2012, financial, insurance, information and telecommunications enterprises were the key customers of the industry of data centre premises leasing in Hong Kong which together contributed about 64.7% of the total revenue of the industry of data centre premises leasing in 2012. Enterprises in these industries handle massive amounts of data on a daily basis as an integral part of their businesses, hence, they have high requirements for stable, secured and reliable data processing services to ensure data safety and availability.

According to the Ipsos Report, the historical and projected future growth of the market of data centre premises leasing in Hong Kong is driven by the following factors:

- *Stable political and economical environment in Hong Kong:* Foreign enterprises tend to set up their data centres in Asia to support their expansion in Asian markets. Security in respect of data centre and the risk of security breach are always of matters of concern for these foreign enterprises. On the other hand, exposure to natural hazards such as earthquakes and typhoon is also a concern of these enterprises to avoid the loss of data and interruption of operations. Hong Kong has a conducive business environment, stable government, transparent and independent judicial system, free flow of information, reliable power supply, sound telecommunications infrastructure and low risk of natural hazards, hence, enterprises generally prefer setting up data centres in Hong Kong.

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- *Increase in the number of financial and insurance institutions:* As one of the pillar industries in Hong Kong, the number of financial and insurance institutions grew by about 35.4% from about 15,705 in 2007 to about 21,271 in 2012. Financial institutions are often required to link their local trading system with their operating systems in other financial hubs such as London, New York, etc. To keep and maintain the telecommunication and ICT systems in their own office premises, additional space, trained operators and high-technical facilities will be required which involves huge capital investment and overhead costs. Wholesale data centre co-location services can reduce their operating overheads and provide enhanced service availability and support to these financial and insurance institutions. With an increasing number of overseas banks establishing a regional office in Hong Kong, it is projected that the industry of data centre premises leasing, in particular wholesale data centre co-location services, will continue to ride on the growing finance industry in Hong Kong.
- *Hong Kong Government support and incentives:* To foster Hong Kong as the prime location for data centre, the OGCIO has set up a Data Centre Facilitation Unit to provide coordinated services to interested developers and investors on matters related to setting up data centres in Hong Kong and to promote Hong Kong as a prime location for data centres in the Asia Pacific region. In the 2012-2013 budget, the Hong Kong Government proposed to exempt the waiver fees for changing parts of eligible industrial buildings into data centre use. Under the new measure, building owners will be exempted from paying the waiver fee for the change of land use if they opt for the wholesale conversion of a building, provided that the requirement on the age of property is met and planning permission is obtained from relevant Government departments. This measure will encourage the wholesale conversion of existing industrial buildings for data centre use. However, as we are developing our second data centre building by constructing a brand new building instead of changing parts of eligible industrial buildings into data centre use, our Directors consider that the development of our second data centre building will not benefit from the exemption of waiver fees proposed in the 2012-2013 budget.

In particular, under the new measure, the Hong Kong Government will assess the premium for lease modifications of high-tier data centres in order to encourage the development of high-tier data centres. Property owners are only required to pay additional premiums according to the actual development density after redevelopment, instead of paying the maximum permitted development density based on a “pay for what you build” approach. These measures will be introduced in the 2012-2013 financial year for application until 31 March 2016.

- *Advanced technology development:* Technology advancement, such as the development of digitalisation of information, e-commerce and computing technologies has increased the demand for services of data centre premises leasing in Hong Kong. Due to the increase in the amount of digital information, ICT has become a crucial aspect of most organisational operations, in particular telecommunications companies and multi-national corporations, and enterprises are relying more on data centres for the storage and process of information.

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## INDUSTRY OVERVIEW

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- *Demand for high-tier data centres:* Multi-national corporations are demanding higher quality of services of data centre premises leasing with higher level of reliability and security. It is expected that future demand for services of leasing of data centre premises will lie in high-tier data centres where the availability and site requirements are the highest, and development of high-tier data centres will be the growth driver for industry of data centre premises leasing in Hong Kong.

### Competitive landscape of the industry of data centre premises leasing in Hong Kong

The market of data centre premises leasing in Hong Kong is not dominated by a few service providers. According to the Ipsos Report, there were about 46 data centre buildings and 31 service providers of data centre premises leasing in Hong Kong in 2012. The top ten service providers of data centre premises leasing in Hong Kong accounted for about 67.7% of the total market revenue in 2012. The table below sets out the top ten service providers of data centre premises leasing in Hong Kong in terms of their revenue from data centre premises leasing in 2012.

#### Top ten service providers of data centre premises leasing in Hong Kong in 2012

Rank	Service provider of data centre premises leasing	Revenue from leasing of data centre premises (HK\$ million)	% of total market revenue	Total raised floor space ('000 sq.m.)	Key service
1	Company F	705	10.8	46.5	Co-location provider and data centre operator
2	Company G	623	9.5	8.5	Wholesale co-location provider
3	Company H	607	9.3	8.2	Wholesale co-location provider
4	Company I	586	8.9	16.2	Co-location, managed services, cloud / VPN
5	Company J	537	8.2	7.1	Telecommunication, co-location, managed services, cloud / VPN
6	Company K	459	7.0	9.4	Co-location, managed services, cloud / VPN
7	Company L	440	6.7	4.0	Telecommunication, co-location, managed co-location
8	Company M	215	3.3	2.5	Wholesale co-location provider
<b>9</b>	<b>Our Group</b>	<b>134</b>	<b>2.0</b>	<b>4.9</b>	<b>Wholesale co-location provider</b>
10	Company N	133	2.0	1.8	Wholesale co-location provider

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Source: Ipsos Report

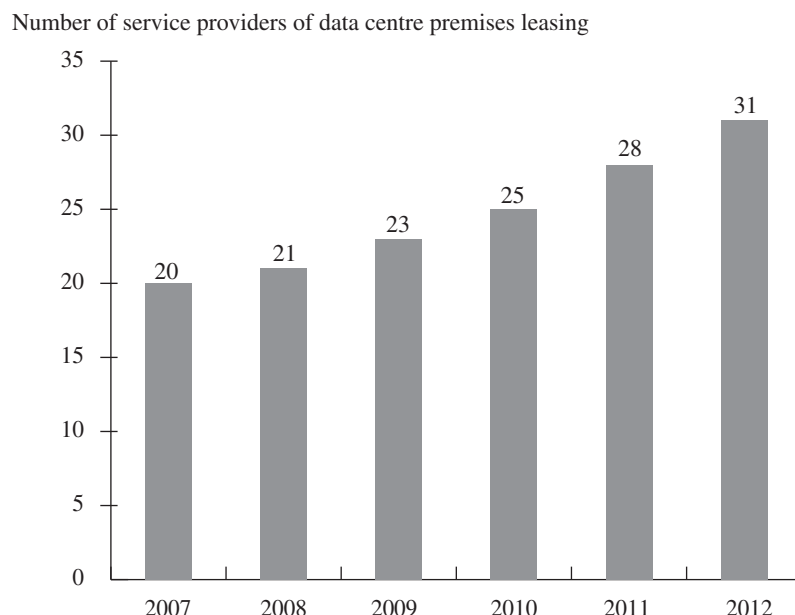
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## INDUSTRY OVERVIEW

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The total number of service providers of data centre premises leasing in Hong Kong is set out as follows.

### Number of service providers of data centre premises leasing in Hong Kong



*Note: Service providers of data centre premises leasing include the owners of IDCs who operate the data centre on their own or lease raised floor space to third-party data centre operators.*

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Source: Ipsos Report

According to the Ipsos Report, service providers of data centre premises leasing in Hong Kong are competing on building higher quality facilities and increasing service offerings to outstand in the market.

- *Higher quality facilities:* service providers of data centre premises leasing are migrating towards high-tier availability and constantly looking at ways to create redundancy in their infrastructure to provide uninterrupted services. The tier level of a data centre is one of the key consideration factors for multi-national corporations when choosing their data centres. The higher tier level also represents higher capacity, higher level of technology and security level of a data centre. Hence, service providers of data centre premises leasing are keen to develop high-tier data centres to provide better and more secured services to attract new customers.
- *Increased service offerings:* service providers of data centre premises leasing in Hong Kong mainly offer wholesale co-location, retail co-location services and virtual private network (VPN) services for corporations in different industries. Different customers have different needs for services of data centre premises leasing. For example, multi-national companies, as well as enterprises from the financial and insurance industry generally prefer wholesale co-location services as they usually have their own sets of facilities to ensure their data security.

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## INDUSTRY OVERVIEW

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### Entry barriers

- The industry of data centre premises leasing in Hong Kong is a capital intensive industry which requires high set-up costs in relation to the facilities required for the provision of service of data centre premises leasing and acquisition of land or property for data centre premises leasing.
- Reputation is important in the industry of data centre premises leasing in Hong Kong. Data centres, which serve more well-known clients, are considered to be more well positioned in the industry of leasing of data centre premises. Switching barriers for customers is high once engaged with a service provider. The strong reputation of existing players places high barriers for new entrants into the market.
- Due to the stringent requirement of locations for data centres, only few sites are technically suitable for development of data centre buildings, however, competing uses such as office and other commercial uses usually out-bid data centres in financial terms on these sites. Limited land supply in Hong Kong poses a huge barrier for the development of services of leasing of data centre premises.
- Customers tend to sign long-term contract with data centre providers, especially for wholesale co-location service. Since around-the-clock availability is important to data centre users, customers tend to avoid relocation of data centres which will bring downtime risks. Relocation of data centre would also involve significant costs for fitting-out, relocation and setting up of the servers.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### BUSINESS HISTORY

The following table summarises the key milestones in the development of the business of our Group:

Year	Milestone
1995	<ul style="list-style-type: none"><li>• Establishment of Grand Tech Construction</li></ul>
1997	<ul style="list-style-type: none"><li>• Commencement of participation in the development of commercial properties as main contractor</li></ul>
1999	<ul style="list-style-type: none"><li>• Commencement of participation in the development of St. George Apartments (聖佐治大廈), our first residential property development project, as main contractor</li></ul>
2001	<ul style="list-style-type: none"><li>• Commencement of participation in the development of The Palace (嘉皇臺) as main contractor</li></ul>
2003	<ul style="list-style-type: none"><li>• Commencement of participation in the development of The Caldecott (嘉珀山) as main contractor</li></ul>
2005	<ul style="list-style-type: none"><li>• Commencement of participation in the development of J Residence (嘉蒼軒) as main contractor</li></ul>
2008	<ul style="list-style-type: none"><li>• Completion of establishment of iTech Tower and commencement of leasing of data centre premises to the first customer of iTech Tower</li><li>• Commencement of participation in the development of Primrose Hill (縉庭山) as main contractor</li><li>• Grand Tech Construction was awarded Quality Building Award 2008</li></ul>
2010	<ul style="list-style-type: none"><li>• Grand Tech Construction was awarded Quality Building Award 2010</li><li>• Commencement of participation in the development of Marinella (深灣九號) as main contractor</li></ul>
2011	<ul style="list-style-type: none"><li>• iTech Tower reached an occupancy rate of 100%</li></ul>
2012	<ul style="list-style-type: none"><li>• Acquired a piece of land situated at Ta Chuen Ping Street, Kwai Chung, for the development of our second data centre building</li></ul>
2013	<ul style="list-style-type: none"><li>• Commencement of construction works for the development of our second data centre building</li></ul>

### CORPORATE DEVELOPMENT

The following describes the corporate history of our Company and our subsidiaries.

#### Our Company

Our Company was incorporated in the Cayman Islands on 14 August 2012 and is the holding company of our subsidiaries. As at the Latest Practicable Date, all allotted and issued shares of our Company were held by as to 90% by BVI (CHAN) and 10% by BVI (LAU).

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## HISTORY, DEVELOPMENT AND REORGANISATION

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As a result of our Reorganisation, our Company indirectly holds all the interests in our Hong Kong subsidiaries, namely, Grand Tech Construction, Winning Tech and Wellford Properties, which are principally engaged in the businesses of data centre premises leasing as a wholesale co-location provider and a building contractor in Hong Kong. Please refer to the paragraph headed “Reorganisation” in this section for further details about our Reorganisation.

### **Our subsidiaries in the BVI and Hong Kong**

#### ***GTC Vision***

GTC Vision (formerly known as Grand Tech Enterprise Group Ltd.) was incorporated in the BVI on 3 August 2012 as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 14 August 2012, 1 share of GTC Vision was issued to our Company for a consideration of US\$1. Since 14 August 2012, GTC Vision was owned as to 100% by our Company.

#### ***BVI (Grand Tech Construction)***

BVI (Grand Tech Construction) was incorporated in the BVI on 3 August 2012 as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 14 August 2012, 1 share of BVI (Grand Tech Construction) was issued to our Company for a consideration of US\$1. Since 14 August 2012, BVI (Grand Tech Construction) was owned as to 100% by our Company.

#### ***BVI (Wellford Properties)***

BVI (Wellford Properties) was incorporated in the BVI on 3 August 2012 as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 14 August 2012, 1 share of BVI (Wellford Properties) was issued to our Company for a consideration of US\$1. Since 14 August 2012, BVI (Wellford Properties) was owned as to 100% by our Company.

#### ***Grand Tech Construction***

Grand Tech Construction was incorporated in Hong Kong on 31 August 1995 as a limited liability company with an authorised share capital of HK\$5,000,000 divided into 5,000,000 shares of HK\$1 each. Grand Tech Construction was incorporated for the purpose of principally engaging in provision of building construction services as a main contractor in Hong Kong.

At the time of establishment, Grand Tech Construction allotted and issued 36 shares to Grand Ming Holdings at par value of HK\$1 per share and 64 shares to Mr. Lau at par value of HK\$1 per share. On 23 September 1995, Mr. Lau transferred 59 shares in Grand Tech Construction to Grand Ming Holdings at par value of HK\$1 per share. The remaining 5 shares held by Mr. Lau in Grand Tech Construction were held on trust for the benefit of Grand Ming Holdings. The abovementioned transfer of shares occurred before Grand Tech Construction commenced any substantive business.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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When Grand Tech Construction was first established, Mr. Chan and Mr. Lau financed the business with their own savings.

For the purpose of injecting more capital into Grand Tech Construction for it to commence substantive business and expand its business operation, on 11 October 1996, the authorised share capital of Grand Tech Construction was increased from HK\$10,000 to HK\$5,000,000 by creation of 4,990,000 additional new shares of HK\$1 each. Following the increase in the authorised share capital of Grand Tech Construction, 4,999,900 shares were allotted and issued to Grand Ming Holdings for a consideration of HK\$4,999,900. Immediately before the Reorganisation, Grand Tech Construction was owned as to 100% by Grand Ming Holdings.

On 17 July 2013, Grand Ming Holdings transferred 4,999,995 shares in Grand Tech Construction and Mr. Lau transferred 5 shares in Grand Tech Construction to BVI (Grand Tech Construction), respectively, at par value of HK\$1 per share. As of the Latest Practicable Date, Grand Tech Construction was owned as to 100% by BVI (Grand Tech Construction).

### *Wellford Properties*

Wellford Properties was incorporated in Hong Kong on 7 March 2006 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. To diversify our Group's business with the aim of expanding into a business in which we may be able to achieve a higher gross profit margin, we tapped into the data centre premises leasing business and Wellford Properties was incorporated for the purpose of principally engaging in business of leasing of data centre premises and currently holds the iTech Tower.

At the time of establishment, Wellford Properties allotted and issued 1 share to Bosco Nominees Limited (a company secretarial service provider) for a consideration of HK\$1. On 26 July 2006, Bosco Nominees Limited transferred 1 share in Wellford Properties to Grand Ming Holdings at par value of HK\$1 per share. On 19 March 2007, Wellford Properties allotted and issued 99 shares to Grand Ming Holdings for a consideration of HK\$99. Immediately before the Reorganisation, Wellford Properties was owned as to 100% by Grand Ming Holdings.

On 19 July 2013, Grand Ming Holdings transferred 100 shares in Wellford Properties to BVI (Wellford Properties) at par value of HK\$1 per share. As at the Latest Practicable Date, Wellford Properties was owned as to 100% by BVI (Wellford Properties).

### *Winning Tech*

Winning Tech was incorporated in Hong Kong on 19 October 2012 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Winning Tech was incorporated for the purpose of principally engaging in business of leasing of data centre premises and currently holds the TCP Land for development of our second data centre.



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## HISTORY, DEVELOPMENT AND REORGANISATION

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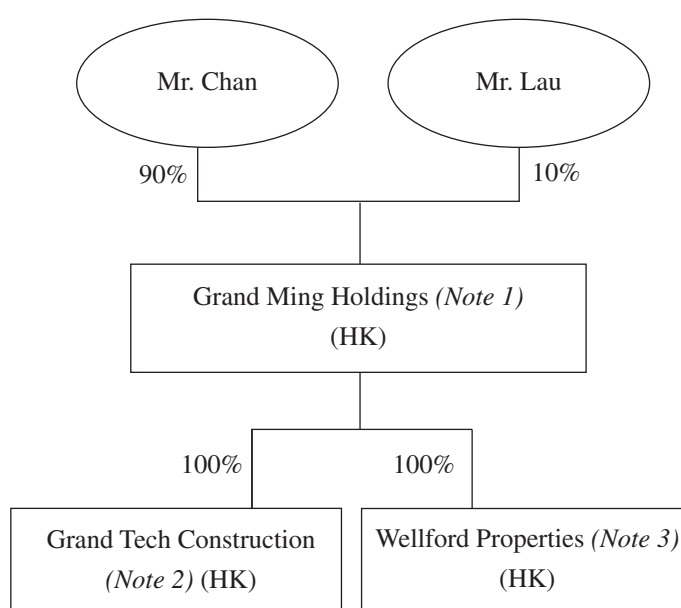
At the time of establishment, Winning Tech allotted and issued 1 share to Cartech Limited (a company secretarial service provider) for a consideration of HK\$1. On 12 November 2012, Cartech Limited transferred 1 share in Winning Tech to BVI (Wellford Properties) at par value of HK\$1 per share.

As at the Latest Practicable Date, Winning Tech was owned as to 100% by BVI (Wellford Properties).

As a result of our Reorganisation, our Company currently wholly owns the above subsidiaries. Please refer to the paragraph headed “Reorganisation” in this section for further details about our Reorganisation.

### REORGANISATION

Prior to the Reorganisation, Grand Tech Construction and Wellford Properties were owned as to 100% by Grand Ming Holdings. The following chart sets forth our Group’s corporate and shareholding structure immediately before the Reorganisation:



*Notes:*

- (1) Grand Ming Holdings is owned as to 90% by Mr. Chan and 10% by Mr. Lau. Grand Ming Holdings also holds other businesses not related to our Group, including property development in the PRC and money lending businesses. Since these businesses are not related to our business, these businesses were not included into our Group, and our Group has no present intention to acquire these unrelated businesses.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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- (2) Grand Tech Construction was owned as to 100% by Grand Ming Holdings where Grand Ming Holdings was the registered owner of 4,999,995 shares in Grand Tech Construction while 5 shares were held by Mr. Lau on trust for Grand Ming Holdings immediately before the Reorganisation.
- (3) Wellford Properties was owned as to 100% by Grand Ming Holdings where Grand Ming Holdings was the registered owner of 100 shares in Wellford Properties immediately before the Reorganisation.

In order to prepare for the Listing, our Company underwent the Reorganisation which involved the following steps:

### **(1) Incorporation of BVI companies by Mr. Chan and Mr. Lau**

On 31 July 2012, BVI (CHAN) was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 31 July 2012, 1 share of BVI (CHAN) was issued to Mr. Chan for a consideration of US\$1. Accordingly, BVI (CHAN) was owned as to 100% by Mr. Chan since its incorporation.

On 31 July 2012, BVI (LAU) was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 31 July 2012, 1 share of BVI (LAU) was issued to Mr. Lau for a consideration of US\$1. Accordingly, BVI (LAU) was owned as to 100% by Mr. Lau since its incorporation.

### **(2) Incorporation of our Company**

On 14 August 2012, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$390,000 divided into 390,000 shares of HK\$1 each. On 14 August 2012, one share of HK\$1 was issued nil-paid to Codan Trust Company (Cayman) Limited (a company secretarial service provider) which was transferred to BVI (CHAN) on the same day. On 14 August 2012, 89 shares of HK\$1 each and 10 shares of HK\$1 each were issued nil-paid to BVI (CHAN) and BVI (LAU), respectively. Accordingly, our Company was owned as to 90% by BVI (CHAN) and 10% by BVI (LAU) since 14 August 2012. Subsequently, the 90 shares of HK\$1 each held by BVI (CHAN) and the 10 shares of HK\$1 each held by BVI (LAU) previously issued nil-paid were fully paid at par on 9 January 2013.

### **(3) Incorporation of intermediate holding companies**

On 3 August 2012, GTC Vision was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 14 August 2012, 1 share of GTC Vision was issued to our Company for a consideration of US\$1. Accordingly, GTC Vision was owned as to 100% by our Company since 14 August 2012.

On 3 August 2012, BVI (Grand Tech Construction) was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 14 August 2012, 1 share of BVI (Grand Tech Construction) was issued to our Company for a consideration of US\$1. Accordingly, BVI (Grand Tech Construction) was owned as to 100% by our Company since 14 August 2012.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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On 3 August 2012, BVI (Wellford Properties) was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 14 August 2012, 1 share of BVI (Wellford Properties) was issued to our Company for a consideration of US\$1. Accordingly, BVI (Wellford Properties) was owned as to 100% by our Company since 14 August 2012.

#### **(4) Incorporation of a Hong Kong subsidiary**

On 19 October 2012, Winning Tech was incorporated in Hong Kong on 19 October 2012 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. At the time of establishment, Winning Tech allotted and issued 1 share to Cartech Limited (a company secretarial service provider) for a consideration of HK\$1. On 12 November 2012, Cartech Limited transferred 1 share in Winning Tech to BVI (Wellford Properties) at par value of HK\$1 per share. Accordingly, Winning Tech was owned as to 100% by BVI (Wellford Properties) since 12 November 2012.

#### **(5) Inclusion of the Hong Kong subsidiaries into our Group**

Prior to the Reorganisation, Grand Tech Construction was owned as to 4,999,995 shares of HK\$1 each, representing approximately 99.99% of its entire issued share capital, by Grand Ming Holdings and as to 5 shares of HK\$1 each, representing approximately 0.01% of its entire issued share capital, by Mr. Lau on trust for Grand Ming Holdings.

On 17 July 2013, Grand Ming Holdings transferred 4,999,995 shares in Grand Tech Construction to BVI (Grand Tech Construction) and Mr. Lau transferred 5 shares in Grand Tech Construction to BVI (Grand Tech Construction) at par value of HK\$1 per share. Accordingly, Grand Tech Construction was owned as to 100% by BVI (Grand Tech Construction).

Prior to the Reorganisation, Wellford Properties was owned as to 100 shares of HK\$1 each, representing 100% of its entire issued share capital, by Grand Ming Holdings.

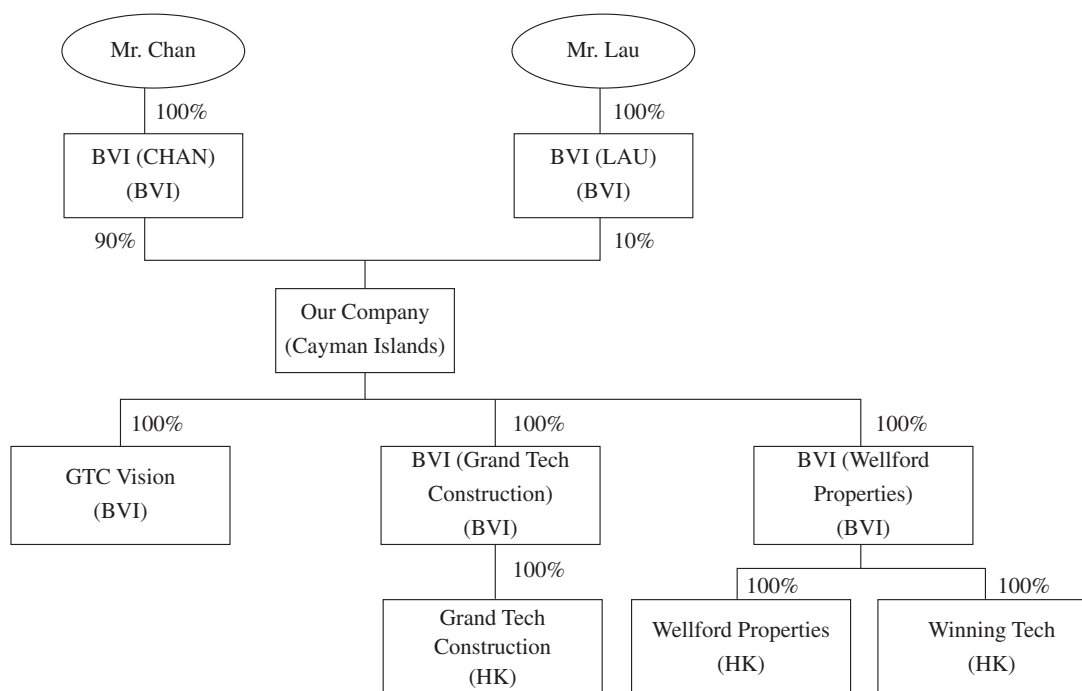
On 19 July 2013, Grand Ming Holdings transferred 100 shares in Wellford Properties, representing the entire issued share capital of Wellford Properties, to BVI (Wellford BVI) at par value of HK\$1 per share. Accordingly, Wellford Properties was owned as to 100% by BVI (Wellford Properties).

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## HISTORY, DEVELOPMENT AND REORGANISATION

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As a result of our Reorganisation, our Company currently wholly owns the Hong Kong subsidiaries, namely, Grand Tech Construction, Winning Tech and Wellford Properties. The following chart sets out the corporate structure of our Group immediately prior to Share Offer and Capitalisation Issue:



### (6) Share Offer and Capitalisation Issue

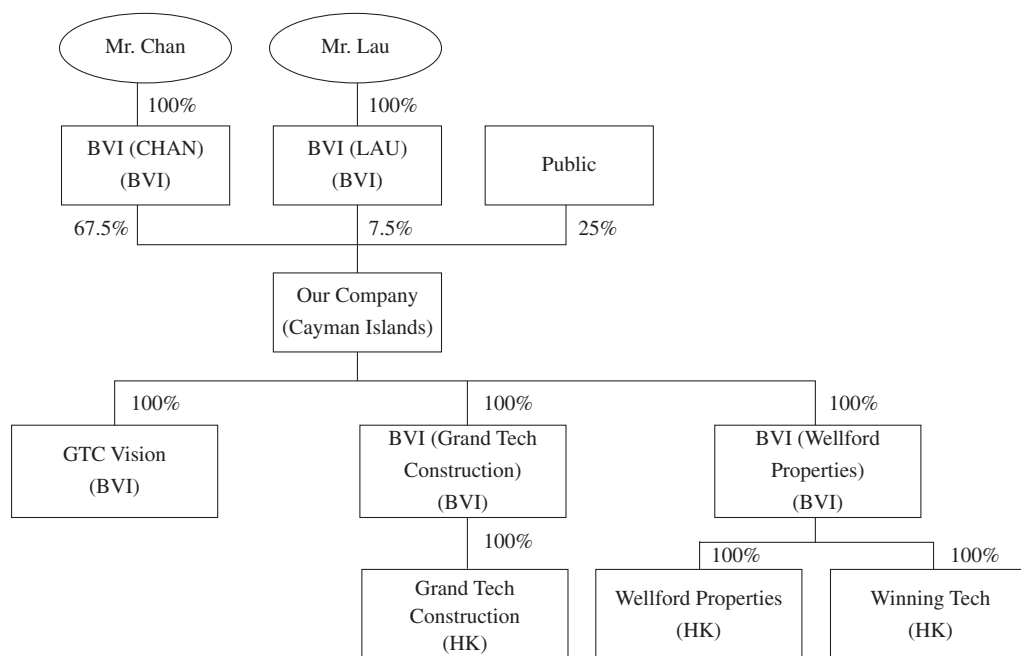
Conditional upon the share premium account of our Company being credited as a result of the Share Offer, a sum of HK\$2,999,900 standing to the credit of the share premium account of our Company will be capitalised by way of applying such sum in paying up in full at par 299,990,000 shares in our Company for the issue to BVI (CHAN) and BVI (LAU) divided among themselves in proportion to their respective interest in our Company immediately before the Share Offer.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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Our corporate and shareholding structure immediately after the Share Offer and the Capitalisation Issue (taking into no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme) is as follows:



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## BUSINESS

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### OVERVIEW

We are an established building contractor in Hong Kong focusing on providing building construction services as a main contractor in residential property development projects for prominent local developers. We have also developed a data centre building which we hold as our investment properties and conduct our data centre premises leasing business as a wholesale co-location provider. We principally lease out raised floor space within our data centre building and are responsible for maintaining supporting mechanical and electrical engineering facilities and security in order for the tenants to operate their own data centres.

We have been providing building construction services through our subsidiary, Grand Tech Construction. With over 15 years of experience in the construction industry, we have successfully established a customer base consisting of renowned property developers and a long-term business relationship with these developers. Some of them have over five years of business relationship with us. We have also accumulated substantial expertise and knowledge in construction which have given us a competitive advantage in development of our data centre premises leasing business. In particular, we are able to leverage on our experience and expertise in building construction accumulated in Grand Tech Construction to build our own data centre building which is capable of meeting the stringent site requirements for accommodating the supporting mechanical and electrical facilities required for high-tier data centres, such as redundant telecommunications access, redundant power and cooling distribution paths. Please refer to the section headed “Glossary of Technical Terms” in this prospectus for further details of the requirements. Such experience and expertise also enable us to perform A&A works and building services engineering works in our data centre building to ensure that the premises we offer for lease would meet our customers’ requirements and specifications.

#### *Our business model and business focus*

Both the construction business and the data centre premises leasing business have been the principal business segments of our Group during the Track Record Period. The construction business has been an integral part of our business since our establishment and it contributed a substantial portion ranging from approximately 76.4% to 87.6% of our turnover during the Track Record Period. This is where our traditional strength lies as we have many years of experience in the building construction industry and have established long and stable relationships with prominent local developers. However, given that its business nature is project-based and that the gross profit and gross profit margin are dependent on various factors such as the price of our tender and given that the market competition within the construction industry is intense, we faced difficulties in maintaining the profitability of our construction business at a higher level during the Track Record Period.

To diversify our Group’s business with the aim of expanding into a business in which we may be able to achieve a higher gross profit margin, we tapped into the data centre premises leasing business in 2007 leveraging on our experience in building construction. Although it only contributed approximately 12.4% to 23.6% of the total turnover of our Group during the Track Record Period, the gross profit margin of our data centre premises leasing business had been higher than that of our construction business and it helped generate approximately 70.6% to 88.3% of our gross profit during the Track Record Period. This business also provides a stable source of income as we have entered into

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## BUSINESS

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long-term agreements with our customers, ranging from five to 20 years. However, the potential turnover growth of this business segment is currently limited as we have already recorded a 100% occupancy rate in our only data centre building, named iTech Tower, since the first quarter of 2011.

Going forward, in view of the expected growth in (i) the data centre market in Hong Kong driven by the rising demand from large-scale enterprises establishing their offices in Hong Kong, government encouragement and advanced technology development; and (ii) the residential properties construction industry in Hong Kong driven by the increasing demand for high-end residential properties, together with the growing population and increasing land supply from the Hong Kong Government according to the Ipsos Report, we will continue to operate both the construction business and data centre premises leasing business as our Group's business focus, and our Directors expect that a substantial portion of our turnover will continue to be derived from the construction business and the data centre premises leasing business will remain as one of the principal businesses of our Group. After the completion of our second data centre building which we currently expect will be around August 2016, our Directors believe that the commencement of operation of our second data centre building will bring positive impact to the turnover of our data centre premises leasing business and our cash flow due to the increase of our total leasable raised floor space.

On the basis of the above, our Directors are of the view that both businesses are sustainable in the foreseeable future.

The following table sets out, for the periods indicated, the amount and percentage of our total turnover attributable by each of our two business segments:

	<b>For the year ended 31 March</b>					
	<b>2011</b>		<b>2012</b>		<b>2013</b>	
	<i>HK\$'000</i>	<i>% of Turnover</i>	<i>HK\$'000</i>	<i>% of Turnover</i>	<i>HK\$'000</i>	<i>% of Turnover</i>
Construction business	349,780	76.4	926,844	87.6	640,112	82.7
Data centre premises leasing business	<u>108,181</u>	<u>23.6</u>	<u>131,218</u>	<u>12.4</u>	<u>133,588</u>	<u>17.3</u>
<b>Total</b>	<u><u>457,961</u></u>	<u><u>100.0</u></u>	<u><u>1,058,062</u></u>	<u><u>100.0</u></u>	<u><u>773,700</u></u>	<u><u>100.0</u></u>

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## BUSINESS

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The following table sets out the breakdown of our gross profit and gross profit margin of our two business segments for the periods indicated:

	For the year ended 31 March					
	2011		2012		2013	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Construction business	10,884	3.1	20,075	2.2	41,213	6.4
Data centre premises leasing business	<u>82,345</u>	76.1	<u>96,722</u>	73.7	<u>98,839</u>	74.0
<b>Total</b>	<u>93,229</u>	20.4	<u>116,797</u>	11.0	<u>140,052</u>	18.1

### *Construction business*

Our construction services mainly include the provision of building construction services as well as existing building alteration, renovation and fitting-out works services in Hong Kong. Our Group was established in 1995 to provide construction services in Hong Kong. We were engaged as the main contractor in a number of residential property development projects by prominent local developers since 1999. These projects include “The Palace (嘉皇臺)”, “The Caldecott (嘉珀山)”, “J Residence (嘉薈軒)”, “Primrose Hill (縉庭山)”, “Soho 38”, “St. George Apartments (聖佐治大廈)”, “18 Upper East (港島東18)”, “Chantilly (嘉珀薈)” and “Marinella (深灣九號)”. We believe that we shall continue to work with those renowned property developers who seek partnership with main contractors and our established relationships with them have proven their recognition of our service quality. Our Directors consider that such recognition will continue to be a crucial factor to our success in the construction industry in Hong Kong.

Currently, we are engaged in a residential property development project for a renowned local property developer as the main contractor with a contract value of approximately HK\$657 million. For other projects which were in progress as at the Latest Practicable Date, please refer to the paragraph headed “Building construction” of the section headed “Business” in this prospectus.

### *Data centre premises leasing business*

To diversify our Group’s business with the aim of expanding into a business in which we may be able to achieve a higher gross profit margin, we tapped into data centre premises leasing business in 2007 leveraging on our experience in building construction. Our data centre premises leasing business focuses on the development and construction of our own data centre building and the leasing out of the raised floor space within our data centre building as a wholesale co-location provider of high-tier data centres. Upon handing over of the premises to our customers, we maintain the supporting mechanical and electrical engineering facilities and security of our data centre building in order to ensure that the premises leased out meet the specifications and expectations of our customers



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on an on-going basis. We have established long-term and stable relationships with our customers, which comprise a multi-national data centre operator, a telecommunications company and a financial institution. We have entered into long-term agreements with them, ranging typically from five to 20 years.

We currently own a data centre building, named iTech Tower and located in Tsuen Wan, Hong Kong, which was converted by us from an industrial building and has a total raised floor space of approximately 53,200 sq.ft.. Certain critical mechanical and electrical systems installed in iTech Tower were designed based on the standards of a high-tier data centre. Since the first quarter of 2011 and up to the Latest Practicable Date, we have recorded a 100% occupancy rate at iTech Tower. Currently, our tenants are using the raised floor space in iTech Tower to develop and operate a total of six data centres.

To capture the prospective increasing demand for high-tier data centres, in November 2012, we purchased from an Independent Third Party the TCP Land located in Kwai Chung, Hong Kong with a total site area of approximately 10,340 sq.ft. for the development of our second data centre building. The purchase of TCP Land was completed in February 2013 and the entire consideration amount of HK\$118 million for the purchase of land had been fully paid by us. It is currently our intention to design and build our second data centre building based on the standards of a high-tier data centre. The general building plans submitted by us have been approved by the Building Authority in May 2013. The construction works commenced in July 2013 and the development of our second data centre building is expected to be completed around August 2016. We believe that with the development of our second data centre building, we will be able to capture the prospective growth in the local market of data centre premises leasing. Upon full operation of the second data centre building, we currently expect that it will provide an additional total raised floor space of approximately 45,000 sq.ft..

### COMPETITIVE STRENGTHS

#### **Established main contractor serving prominent local developers in Hong Kong.**

We are an established main contractor with over 15 years of operation in Hong Kong focusing on providing building construction services in residential property development projects. Throughout our years of operation, we have been providing quality building construction services for our customers. We have been involved as the main contractor in a number of property development projects in Hong Kong, including “The Palace (嘉皇臺)”, “The Caldecott (嘉珀山)”, “J Residence (嘉薈軒)”, “Primrose Hill (縉庭山)”, “Soho 38”, “St. George Apartments (聖佐治大廈)”, “18 Upper East (港島東18)”, “Chantilly (嘉珀薈)” and “Marinella (深灣九號)”.

We have established long and stable business relationships with our major customers, who are prominent local developers, some of which have had business relationships with us for over five years. In recognition of our high standard of building works as main contractor, we have received awards including the “Certificate of Finalist from the Quality Building Award 2008 for the Special Award Category — Heritage” and “Certificate of Merit from the Quality Building Award 2010”. During the years of operation, our Group has also received letters of appreciation from our customers in respect

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of our provision of building construction services. We have been praised by our customers for being able to execute construction works of satisfactory quality under time constraints. We believe that our proven track record and our ability to deliver our jobs on time and to the satisfaction of our customers are the crucial factors in contributing our success in the construction industry.

### **Proven track record as a wholesale co-location provider of high-tier data centres premises.**

We have developed and leased out tailor-made raised floor space for high-tier data centre premises to multi-national corporations in accordance with their specifications and certain critical mechanical and electrical systems installed in our iTech Tower were designed based on the standards of a high-tier data centre. We have established long-term and stable relationships with customers of our data centre premises leasing business and have entered into long-term agreements with them, ranging typically from five years to 20 years. Our Directors believe that our success in securing long-term agreements with renowned customers of our data centre premises leasing business has built up our market reputation and has proven our ability as a wholesale co-location provider of data centres. During the Track Record Period and up to the Latest Practicable Date, we have also received enquiries from existing tenants and other multi-national corporations of the availability of our raised floor space. We believe that our capability in developing tailor-made raised floor space for high-tier data centres, together with our reputation established through our business relationships with these multi-national corporations, have positioned us well to capture new business opportunities in the industry of high-tier data centre premises leasing and will be a factor which distinguishes us from our competitors.

### **Leveraging our expertise in the construction business to develop and build data centre buildings.**

Broadly speaking, a data centre building may be developed by constructing a new building or by converting an existing building. We have the expertise to develop data centre building by both construction methods. In particular, by leveraging our expertise in the construction industry, we believe that we have the experience and expertise that enable us to smoothen the liaison with the relevant government departments which enables us to develop our data centre buildings in an efficient way. Furthermore, as the owner of a data centre building, we could easily arrange A&A works or building services engineering works for the customers, especially when government approval is required. We believe that our expertise in the construction industry also enables us to complete the A&A works and building services engineering works in our data centre building efficiently and carry out such works, even if they are for different premises within our data centre building, at the same time whilst not affecting other existing data centres in our data centre building which are already in operation. This allows us to lease out the raised floor space in a flexible way and at different point of time.

### **Long and stable relationships with sub-contractors and suppliers.**

We have established and maintained long and stable relationships with our sub-contractors and suppliers. Our stable network of sub-contractors and suppliers provides our Group with secure availability of sub-contractors and suppliers for every construction project, which is a crucial factor for the delivery of our service. Some of our sub-contractors have had business relationships with us for over ten years.

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### **Dedicated and experienced management team.**

We have an experienced management team under the leadership of our chairman, Mr. Chan Hung Ming. Mr. Chan and our other senior management are dedicated to our business and they are actively involved in nurturing close business relationships with our customers as well as managing the day-to-day business operations of our Group. Our Directors and senior management possess a wealth of industry experience. Mr. Chan, who is our Chairman and an executive Director, has approximately 40 years of experience in the construction and property development field and over 5 years of experience in leasing of data centre premises in Hong Kong. Mr. Yuen Ying Wai, who is an executive Director, has approximately 30 years of experience in the construction industry and over 5 years of experience in leasing of data centre premises in Hong Kong.

The foresight and in-depth industry knowledge of our Directors and senior management have enabled us to formulate sound business strategies, better assess and manage risks, and strategically position ourselves to capture significant market opportunities. We believe that our management team possesses the leadership, commitment and experience to sustain our business and drive our future growth and tactically explore opportunities.

### **BUSINESS STRATEGIES**

#### **Improving the operational efficiency and service quality of our construction business.**

We believe that our efficiency and service quality are crucial factors for our success in the construction industry. In continuously improving our construction business' operational efficiency and service quality, we intend to employ software developed for tendering and cost data management, which software would assist our quantity surveyors in handling and controlling administration of the tender formulation and cost data management.

We would also improve our efficiency and service quality by improving and strengthening our control over costs and procurement of materials and sub-contractors via expanding our approved lists of sub-contractors and suppliers, which would allow us to obtain more competitive offers and adopt a more stringent standard in our suppliers and sub-contractors selections.

#### **Developing new data centre buildings in Hong Kong.**

According to the Ipsos Report, enterprises from the financial and insurance industries and the information and communications industries have high requirements for stable, secured and reliable data processing services to ensure data safety and availability, and the number of financial and insurance enterprises in Hong Kong grew from about 15,705 in 2007 to about 21,271 in 2012, while the number of information and communications enterprises increased from about 8,640 to 11,368 over the same period. According to the Ipsos Report, the competitive advantages of Hong Kong will continue to attract enterprises to set up data centres and sustain the demand for data centres. Facing the demand from potential customers and to capture the prospective increasing demand for high-tier data centres, we plan to continue to explore opportunities to develop new data centre buildings in

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Hong Kong. In November 2012, we purchased from an Independent Third Party<sup>(Note)</sup> the TCP Land situated at 54-56 Ta Chuen Ping Street, Kwai Chung, Hong Kong at a consideration of HK\$118 million for the development of our second data centre building. The purchase of TCP Land was completed in February 2013 and the entire amount of consideration had been fully paid by us. It is currently our intention to design and build our second data centre building based on the standards of a high-tier data centre building. The construction works of our second data centre building commenced in July 2013 and the development of our second data centre building is expected to be completed around August 2016. Upon full operation of our second data centre building, we currently expect that it will provide an additional total raised floor space of approximately 45,000 sq.ft..

We believe that the development of our second data centre building, when completed, will allow us to capture the prospective demand for high-tier data centres in Hong Kong. With government policies which facilitate the development of our data centre premises leasing business, we will continue to explore opportunities to develop new data centre buildings in Hong Kong depending on the then market demand and conditions.

The expected total development cost of our second data centre building is approximately HK\$682 million, which mainly includes cost of acquisition of land, land premium payable for the purpose of lease modification, stamp duty, professional fees, construction costs and purchase of machinery. We expect to fund the capital expenditure for the development of our second data centre building through the net proceeds from the Share Offer, cash flows from our operations and bank loans. For details, please refer to the paragraph headed “The development of our second data centre building” in this section and the section headed “Future plans and use of proceeds” in this prospectus.

Broadly speaking, a data centre building can be developed by constructing a new building or converting an existing building. When considering which construction method we would adopt to develop a data centre building in the future, we would take into account the expected construction time and total expected development cost and return, depending on the land or the existing structure and layout of the building. We do not limit ourselves to develop data centre building by using any of these construction methods. In general, developing a data centre building by converting an existing building has the advantages of saving building foundation works and shorter construction time. However, there may be restrictions in the existing building in converting into a data centre building which must meet certain specifications and requirements, such as building shape and structure, layout, floor to floor height and foundation loading capacity. Constructing a new data centre building would give us more flexibility to develop data centre building according to our design expectations and allowing us to better utilise the permissible gross floor area to build more raised floor space for leasing. However, construction time for a new data centre building needed is longer than converting from an existing building. Therefore, we may not be able to react to rising market demand quickly to offer more raised floor space within a short period of time.

*Note:* The vendor of the piece of land is Feston Enterprises Limited, whose registered office is situated at 24th Floor, Lucky Building, No. 39 Wellington Street, Central, Hong Kong.

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### **Keeping abreast of latest development of data centre facilities.**

In keeping abreast of the latest development of facilities in relation to data centres, we intend to continuously upgrade our facilities at iTech Tower. We have engaged an external consultancy firm to provide professional independent advisory and consulting services to us from time to time in this regard. We will continue to keep track of the latest development of data centre facilities, including but not limited to designing and building our data centre building with facilities and infrastructure that would, for example, be able to support cloud computing technologies as well as environmentally friendly measures which would enable the reduction of energy consumption.

### **Strengthening our brand recognition.**

We intend to continue to use the brand of “iTech Tower” for our data centre buildings in the future, so as to promote the brand image of a wholesale co-location provider specialised in leasing out tailor-made raised floor space of high-tier data centres. At the same time, we will continue to provide services under the brand of “Grand Tech” for our construction business and focus on performing construction works of high quality to our customers so as to further improve our competitiveness, which will in turn strengthen our brand recognition and our customers’ loyalty.

## **OUR PRINCIPAL BUSINESS**

### **Our construction business**

Our construction business is an integral part of the business of our Group. Since 1995, we have been focusing on providing building construction services to property developers in Hong Kong. We generally act as a main contractor in building construction projects as well as existing buildings alteration, renovation, and fitting-out projects. We focus on providing building construction services to prominent local property developers which generally require a high standard of service quality.

As main contractor, we are responsible for the overall management of the construction project. During the Track Record Period and as at the Latest Practicable Date, we have employed four project managers. Each of these project managers either holds an university degree in construction management or is a registered surveyor, and all of them have at least ten years of experience in the construction industry. We may have multiple construction projects that are in progress at the same time which are in different stage and scale. However, it is our policy to assign our project manager to handle only one building construction project with active site activities at a time and not to assign such project manager to handle another building construction project concurrently until the site of the construction project that he is involved has been handed over to the customers.

We delegate most of our construction works including steel bar fixing, concreting, plastering and mechanical and electrical works to our sub-contractors and focus on project management, engineering design and technical submission, devising detailed work programmes, procurement of major construction materials, co-ordination with the customers or their consultants, and the quality control of the works carried out by sub-contractors. In order to monitor the performance of our

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sub-contractors, we have put in place a number of control measures, such as inspection on the sub-contractors' works. For further details, please refer to the paragraphs headed "Project implementation" and "Quality Control" of the section headed "Business" in this prospectus.

We provide construction services through our subsidiary, Grand Tech Construction. Throughout the years of operation, we have completed a number of residential development projects in Hong Kong in the capacity of main contractor such as "The Palace (嘉皇臺)", "The Caldecott (嘉珀山)", "J Residence (嘉薈軒)", "Primrose Hill (縉庭山)", "Soho 38", "St. George Apartments (聖佐治大廈)", "18 Upper East (港島東18)", "Chantilly (嘉珀薈)" and "Marinella (深灣九號)". Our ability in implementing our construction works effectively in accordance with the schedule will continue to be an essential element of the quality construction services that we offer.

During the Track Record Period, out of about 80 tender applications submitted, we have been awarded 16 construction contracts. We have completed 32 construction contracts in total during the Track Record Period and up to the Latest Practicable Date.

### *Major qualifications and licences*

We hold various licences and qualifications in respect of our construction services through Grand Tech Construction. Our Directors confirm that, our Group possesses all the necessary licences which are required to carry on our Group's activities in respect of our construction business in Hong Kong. Our Directors also confirm that, save as disclosed in the paragraph headed "Legal proceedings and compliance" in this section, our Group has been in compliance with all relevant laws and regulations in Hong Kong relevant to our construction business in all material aspects during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, our Group has the following major licences and/or qualifications in respect of our construction business in Hong Kong:

Relevant authority/organisation	Relevant List/Category	Qualifications/ Licence (Note 1)	Holder	Validity period	Authorised contract value
Building Authority	Registered general building contractor	Any building works and street works which are not designated by the Building Authority as a category of specialised works	Grand Tech Construction	21 September 2011 to 31 October 2014	N/A
Hong Kong Housing Authority	Building (New Works)	Group NW1 (Probationary) (Note 2)	Grand Tech Construction	N/A	Restricted to undertake not more than one Group NW1 contract (contracts with a value of up to HK\$270 million) at any one time

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Relevant authority/organisation	Relevant List/Category	Qualifications/ Licence <i>(Note 1)</i>	Holder	Validity period	Authorised contract value
WBDB	Approved contractor for public works (Buildings)	Group B (on probation) <i>(Note 2)</i>	Grand Tech Construction	N/A	Any number of Group A contracts (contracts of value up to HK\$30 million) and any number of Group B contracts (contracts of value up to HK\$75 million) provided that the total value of Group B works in any one category does not exceed HK\$75 million

*Note:*

1. Please refer to “Regulations” section of this prospectus for further details of the qualifications or licences.
2. We applied for both licences in 1999 and was awarded the probationary licences since only probationary licence would be awarded when the applicant first awarded the licence. We did not apply for the confirmed status subsequently since we decided to focus on providing construction services for property developers in Hong Kong. Our Directors are of the view that the restrictions of contract value that we can undertake under the probationary licence do not have any material impact on the potential growth of our Group.

Although we are registered under the Housing Authority’s list of building contractors — Building (New Works) and are an approved contractor for public works (Buildings) of the WBDB, we did not submit any tender for construction contracts with the Hong Kong Government or the Housing Authority during the Track Record Period since our business focus is to provide building construction services to property developers in Hong Kong and our Directors believe that our established relationships with prominent local developers gives us advantages in bidding construction projects in private sector. Our Directors confirmed that currently our Group has no intention to apply for licences which allow us to undertake higher contract value from the Housing Authority or WBDB, nor currently has any intention to submit tenders for construction contracts with the Hong Kong Government or the Housing Authority in the near term.

### ***Building construction***

We focus on providing building construction services for residential property development projects as a main contractor. Throughout the years since our establishment, we have been engaged in various property development projects. The contract period of all major building construction contracts completed during the Track Record Period and those still in progress as at the Latest Practicable Date is normally over 18 months.

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*Contract(s) in progress as at the Latest Practicable Date*

The following table sets forth particulars of the building construction project(s) that is still in progress as at the Latest Practicable Date:

Nature of project	Particulars of the contract	Site area (sq.m.)	Expected construction period	Contract value	Percentage of works certified as at the Latest Practicable Date
Residential	Connaught Road West (Residential development in Sai Wan)	Approximately 1,697	January 2013 to September 2014	Approximately HK\$657 million	7.18%

*Tenders submitted as at the Latest Practicable Date*

We have been continuously submitting tender during the Track Record Period and as at the Latest Practicable Date. The following table sets forth particulars of the tender submitted as at the Latest Practicable Date and the results of the tenders will be made known to us within approximately two to eight months after our tender submission:

Project	Nature	Date of submission of tender	Expected date of knowing tender result	Site Area (sq.m.) (app.)	Planned GFA (sq.m.) (app.)	Expected contract sum (HK\$' million)	Expected construction commencement date
Project A	Residential	January 2013	August 2013	1,228	3,270	108	August 2013
Project B	Residential	April 2013	August 2013	N/A	N/A	69	August 2013
Project C	University campus	June 2013	August 2013	N/A	N/A	250	September 2013
Project D	Residential	July 2013	August 2013	N/A	N/A	231	August 2013
Project E	Residential	July 2013	August 2013	N/A	N/A	3,523	October 2013

There is no assurance that the tenders we submitted are competitive and the contracts will be awarded to us. In the event that our tender submissions are unsuccessful, we will review our tendering strategies and continue to prepare and submit tenders for construction projects that we consider profitable in the future.



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### *Contracts completed during the Track Record Period and up to the Latest Practicable Date*

During the Track Record Period and up to the Latest Practicable Date, we have completed five building construction projects with contract values ranging from approximately HK\$145 million to HK\$1,515 million. The following table sets forth particulars of the building construction projects we have completed during the Track Record Period and up to the Latest Practicable Date:

<b>Particulars of the contract</b>	<b>Construction period</b>	<b>Contract value</b>
Beach Road (superstructure) (Redevelopment of shopping arcade at Repulse Bay)	January 2007 to November 2012	Approximately HK\$177 million
Shing On Street (Composite development at Shaukeiwan)	December 2010 to September 2012	Approximately HK\$172 million
Welfare Road (superstructure) (Residential development at Aberdeen)	October 2010 to September 2012	Approximately HK\$1,515 million
Welfare Road (foundation) (Foundation, basement and podium structure for residential development at Aberdeen)	January 2010 to October 2010	Approximately HK\$145 million
Stubbs Road (superstructure) (Residential redevelopment at Happy Valley)	August 2008 to July 2010	Approximately HK\$168 million

### *Existing building alteration, renovation and fitting-out*

Apart from building construction, we also act as a main contractor for existing building alteration, renovation and fitting-out works.

As a main contractor for alteration, renovation and fitting-out works, we are in general engaged in minor construction works such as addition and alteration to existing building structures, modification, removal, or installation of hardware and equipment, and for renovation and interior fitting-out works including restoring or otherwise improving the general conditions of existing buildings. Examples of such works carried out by us include extension of rooftop signage and cooling towers, external wall redecoration.

For major alteration and renovation contracts as well as fitting-out contracts completed during the Track Record Period and those still in progress as at the Latest Practicable Date, the contract period is normally over four months.

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### *Contract(s) in progress as at the Latest Practicable Date*

The following table sets forth particulars of the alteration, renovation and fitting-out project(s) that are still in progress as at the Latest Practicable Date:

Nature of Projects	Particulars of the contract	Site area <i>(sq.m.) (app.)</i>	Expected construction period	Contract value	Percentage of works certified as at the Latest Practicable Date
Renovation	Renovation work to toilet (University campus)	N/A	July 2013 to September 2013	Approximately HK\$1.2 million	nil
A&A	Toilet upgrade and ventilation installations (University campus)	N/A	July 2013 to September 2013	Approximately HK\$0.46 million	nil
Renovation	Renovation works to reception counter	N/A	July 2013 to August 2013	Approximately HK\$0.25 million	nil

### *Tender submitted as at the Latest Practicable Date*

We have been continuously submitting tender during the Track Record Period and as at the Latest Practicable Date. The following table sets forth particulars of the tender submitted as at the Latest Practicable Date:

Project	Nature	Date of submission of tender	Expected date of knowing tender result	Expected contract sum <i>(HK\$' million)</i>	Expected construction commencement date
Project F	A&A	April 2013	September 2013	2.8	October 2013
Project G	A&A	May 2013	September 2013	13.7	October 2013
Project H	A&A	April 2013	August 2013	2.9	September 2013
Project I	A&A	May 2013	August 2013	9.2	September 2013
Project J	A&A	June 2013	September 2013	0.2	October 2013
Project K	A&A	June 2013	September 2013	0.2	October 2013
Project L	A&A	July 2013	October 2013	0.4	November 2013
Project M	A&A	July 2013	October 2013	55.0	November 2013

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There is no assurance that the tenders we submitted are competitive and the contracts will be awarded to us. In the event that we are unsuccessful in our tender submission, we will review our tendering strategies, and will continue to prepare and submit tenders for alteration, renovation and fitting-out projects that we consider profitable in the future.

*Major contracts completed during the Track Record Period and up to the Latest Practicable Date*

During the Track Record Period and up to the Latest Practicable Date, we have completed 27 projects with contract values ranging from approximately HK\$0.02 million to HK\$20 million. The following table sets out particulars of the alteration, renovation and fitting-out works projects with contract value exceeding HK\$3 million which we have completed during the Track Record Period and up to the Latest Practicable Date:

<b>Particulars of the contract</b>	<b>Construction period</b>	<b>Contract value</b>
University campus (teaching facilities — front office) (Alteration works for front office of a building)	August 2012 to November 2012	Approximately HK\$7.7 million
San On Street (external wall redecoration at Tuen Mun)	February 2012 to May 2012	Approximately HK\$3.3 million
University campus (teaching facilities — learning commons) (Fitting-out works of learning commons)	June 2011 to January 2012	Approximately HK\$16.7 million
University campus (student facilities) (Alteration and additional works of rationalisation of student facilities, electrical works, A/C works, fire services works and plumbing works)	September 2011 to January 2013	Approximately HK\$10.7 million
University campus (catering facilities) (Major renovation and re-organisation of catering facilities)	May 2011 to January 2013	Approximately HK\$19.8 million
Beach Road (fitting-out) (Interior fitting-out works to a shopping centre including but not limited to the lobby and the common area in Repulse Bay)	November 2012 to March 2013	Approximately HK\$68.7 million

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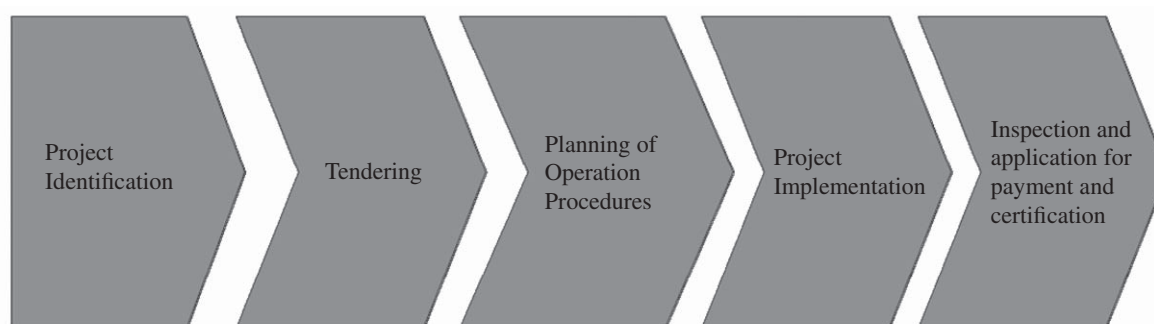
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During the Track Record Period, our revenue from (1) building construction contracts and (2) existing building alteration, renovation and fitting-out contracts was as follows:

	<b>For the year ended 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Building construction	341,797	879,771	571,583
Existing building alteration, renovation and fitting-out	<u>7,983</u>	<u>47,073</u>	<u>68,529</u>
Total revenue from construction contracts	<u><u>349,780</u></u>	<u><u>926,844</u></u>	<u><u>640,112</u></u>

### ***Business operation of our construction business***

The following diagram illustrates the general operational procedures undertaken by us in providing construction services:



#### ***Project identification***

From time to time we will be invited by developers, architects and engineering consultants to express our interest on the potential projects. If we show our interest after reviewing the preliminary specifications of such projects, a letter of invitation for tender together with the tender documents would be issued to us by the architect or the developer.

#### ***Tendering***

Upon receipt of an invitation for tender, our project manager will review the tender documents and make enquiries with consultants engaged by our customers where necessary in order to ensure the information contained in the tender documents is sufficient and clear to us before preparing our tender. A preliminary assessment of the profitability and manageability of the project will be conducted. Our project manager will also estimate the level of work required and ensure that we will have sufficient resources to complete the project according to his experience, including the financial resources to finance the initial outlay for the new project and procurement of major construction materials and the availability of competent sub-contractors under our pre-approved list of sub-contractors, before we decide to bid for the project. A site visit may also be conducted to understand the site conditions and constraints.

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In the event that our project manager decides to submit a tender for the project, our project quantity surveyor and project manager will then work together to prepare for the tender submission in accordance with the requirements and specifications as set out in the tender documents. We take into account of various factors including the site conditions, expected construction period, resources required and other factors in preparing our tender. In particular, we estimate the project costs by considering direct labour costs, sub-contracting charges and construction material costs. In doing so, we may obtain preliminary quotations from our suppliers and sub-contractors to have a better estimation of the project cost to be involved. The tender price determined by us is calculated based on the estimated project costs plus a mark-up.

Before the tender submission is made, it will be approved and signed by our Director. It takes about one month for us to prepare a tender submission and it takes three to six months before the result of the tender is made known to us.

### *Planning of operation procedures*

If our tender is accepted by the customer, a letter of award would be issued to us before the formal contract documents are signed. The project manager will then prepare a project plan, which identifies and describes the procedures of key activities of the project, the execution process and sequences of such key activities and resources available.

The following information is included in the project plan:

- scope of works as indicated in the tender documents;
- contract period and completion date;
- identification of significant issues relating to environmental aspects and the control measures in relation thereto;
- relevant statutory requirements for environmental protection;
- safety requirements;
- site layout; and
- resources required.

Our safety officer will prepare a safety plan for the site activities in order to eliminate identified risks.

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Our project manager will prepare a budget plan for each construction project. The budget plan will be reviewed and approved by the board of directors of Grand Tech Construction. In preparing the budget plan, the following factors will be taken into account:

- (i) the scope and complexity of the construction works to be carried out;
- (ii) the duration of the construction contract;
- (iii) the quotation obtained from our suppliers and sub-contractors, taking into account future inflation and escalation in prices;
- (iv) the resources of our Group, such as manpower, to be allocated to the project; and
- (v) the estimated project sum.

Since 2011, we have adopted additional cost control measures, in order to further strengthen our management of the budget of our construction projects including construction material costs and sub-contractor fees, which are set out as follows:

- our accounts department prepares and submits to the board of directors of Grand Tech Construction an analysis report on a quarterly basis for every project. Such report contains a comparison between our estimated budget and the actual costs incurred. Any material deviation from the estimate budget will be highlighted in the report so as to draw the attention of the board of directors of Grand Tech Construction to such deviation; and
- expanding our pre-approved list of suppliers and sub-contractors in order to widen the base of the suppliers and sub-contractors available so as to enable us to obtain more competitive quotations when forming our budget plan.

Although we endeavor to maintain adequate gross profit margins from our contracts and have the abovementioned cost control measure in place, during the Track Record Period, we had three building construction projects suffered cumulative loss, namely: (i) the Kwok Shui Road project which recorded a cumulative loss of approximately HK\$7.8 million primarily resulted from the unexpected fluctuations in reinforcement steel prices during the implementation of the project; (ii) the Pok Fu Lam Road project which recorded a cumulative loss of approximately HK\$0.2 million primarily due to the fact that additional staff costs incurred in this project resulted from the prolonged construction period as a result of revised scope of works initiated by the customer; and (iii) the Shelley Street project which recorded a cumulative loss of approximately HK\$2.2 million since we priced the tender for this contract at a thin gross profit margin in order to increase the competitiveness of our tender with this first-time customer but unexpected sub-contracting costs were incurred for some variation works during the implementation of the project which cannot be passed to the customer. The respective final accounts of the above projects were finalised during the Track Record Period.

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### *Project implementation*

#### Formation of project management team

As main contractor, we are responsible for the overall project implementation, which includes arranging all necessary materials and expertise, providing technical know-how required for the works and carrying out the required project management such that the works conform to the contractual standard and meet the customers' expectations and timetable. We co-ordinate with our customers and their consultants, such as architects and engineers, to obtain all necessary permits and licences prior to commencement of the relevant construction works. We involve sub-contractors in a substantial part of the construction works, such as steel bar fixing, concreting, plastering and mechanical and electrical works, and our sub-contractors will equip themselves with the necessary plant, materials and equipment. We oversee the carrying out of the construction works by our sub-contractors in order to ensure that the construction works will be completed in accordance with the terms, conditions, specifications and time-frame under the relevant construction contract. Our employees also undertake to be responsible for some house-keeping matters in the construction project, such as procurement of major construction materials, levelling and setting-out.

We, as a main contractor, are required to observe and comply with some relevant ordinances, rules and regulations and please refer to the section headed "Regulations" in this prospectus for further details. Pursuant to Section 43C of the Employment Ordinance, as a main contractor, subject to certain limitations, if any wages become due to an employee of our sub-contractor, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by us and/or every sub-contractor jointly and severally. To ensure our sub-contractors duly pay wages to their employees, we have put in place a policy to require our project manager to inquire sub-contractors as to their payment of wages to their employees periodically and our project manager shall, when they are aware of any instances of delay or failure to pay, report to members of the Board and negotiate with the relevant sub-contractors and their workers in order to try to reach an agreement with the relevant sub-contractors to pay the outstanding wages to their workers.

During the Track Record Period and up to the Latest Practicable Date, our Directors were not aware of any incidents where our sub-contractors failed to pay wages to their employees.

In addition, we are also liable for claims of compensation made by employees of our sub-contractors who are injured at work pursuant to the Employees' Compensation Ordinance. As a result, we may be named as one of the defendants for any legal actions instigated by the injured employees of our sub-contractors or any of their sub-contractors even if there is no fault on our part. Our Group and the direct employers of the injured employees are required to take out employees' compensation insurance policy under the Employees' Compensation Ordinance, and the payment made by us is expected to be fully recoverable from insurance companies.

Once a construction project is awarded to us, a project management team will be formed for implementation of such project which comprises, amongst others, a project manager, a site engineer, a general foreman and a number of other technical staff such as safety supervisor, quantity surveyor and leveller chosen by the project manager. Our project management team is responsible for the overall management of the construction project including engineering design and technical

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submission, devising detailed work programmes, procurement of construction materials, co-ordination with the customer or its consultants, and the quality control of the works carried out by sub-contractors. In particular, once a project is launched, our project manager will be responsible for on-site supervision and work progress monitoring to ensure that the work performed meets the customer's requirements and is completed in accordance with the timetable, within the budget, and in compliance with all statutory requirements in connection with the works, safety, environmental and other regulatory requirements. Our project manager will also be responsible for issues resolution and the overall co-ordination of the day-to-day operation of the project. Our project manager will report the status of the construction projects, including the working progress and status, or any other material issues to our Directors every two weeks. Our accounts department will also prepare and submit to the Board an analysis report on a quarterly basis including the expenses incurred for the project. For most of the construction projects undertaken by us, regular site meetings are held among us and the customer and/or its consultants to review the progress of the project and to identify and resolve any issues which may arise during the course of our construction work. Our project management team may also from time to time submit site progress reports to our customer and/or its consultants.

### Surety bond

In order to secure our due and timely performance, it is normal for our customers in respect of the residential property development projects to require us to provide surety bonds in an amount not exceeding 10% of the contract sum issued by a bank in favour of our customers, and we will arrange for the issuance of such surety bonds upon award of a construction project.

### Procurement of materials

Unless specified under the agreement which we have entered into with the sub-contractor, we are responsible for the procurement of major construction materials for the project, including concrete and reinforcement steel, and our sub-contractors are responsible for the procurement of construction materials required for them to complete their work depending on the sub-contracting agreement, such as paint, formworks and furniture. The construction materials purchased by sub-contractors are paid by them and are included in the sub-contracting fees paid by us to them. We would take into account our procurement costs of construction materials when considering the price of our tender before making tender application.

The major construction materials used by us, namely concrete and reinforcement steel, are mainly sourced in Hong Kong. We procure construction materials after we are successfully awarded a contract. After a project is awarded to us, we enter into supply agreements with our suppliers for procurement of major construction materials, which agreement will set out the price and estimated quantity of the materials to be procured by us.

When making procurement decisions of construction materials, we estimate the amount of construction materials required for the particular project and consider various factors in selecting suppliers, including their materials quality, time of delivery, prices quoted and their previous working relationship with us. Our project manager reviews the need for construction materials every two weeks to decide whether purchase of construction materials is needed in each project.



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We select our suppliers from our pre-approved list of suppliers, unless our customers require us to select suppliers nominated by them. The supply agreements which we enter into with our suppliers normally have a term of one year and none of our suppliers has entered into any long term supply agreement with us. Proposed materials, together with actual samples if available, will be submitted by our project management team to the customer or its consultants for approval prior to making purchase order. Our project manager and quantity surveyor assess the amount and timing of construction materials on a case-by-case basis, depending on the progress of works and specific procurement requirements of each project.

The construction materials would be delivered to the relevant construction site directly in one or two days after we have made request for delivery. Since the specifications of construction materials that we use in each project are not the same, we do not keep excess construction materials after completion of a construction project. Also, we do not make bulk purchase to mitigate expected rising construction cost during the course of the project as we have already entered into agreement for procurement of major materials after the award of project and the price of construction materials has been agreed.

### Sub-contracting

We delegate most of our construction works including steel bar fixing, concreting, plastering and mechanical and electrical works to our sub-contractors. With the engagement of sub-contractors, we are able to undertake projects which are labour intensive and require specific construction skills through a significant pool of workers and technical staff in specific trades without the need for keeping them under permanent employment, which enables us to focus on quality control and overall project management and in turn allows us to deploy our resources in a more cost-effective manner.

The typical major terms of the sub-contracting agreement entered into between our Group and our sub-contractors are as follows:

- scope of works and sub-contracting rates/price which is inclusive of the costs of the construction materials, labour costs and miscellaneous expenses to be incurred by the sub-contractor;
- rights and obligations of the parties, such as the arrangement as to who is responsible for the insurance, the sub-contractors' obligations to follow our instructions and procurement of construction materials. Normally we are responsible for insurance;
- prohibition of assignment or sub-contracting by the sub-contractors of all of their works under the sub-contracting agreement unless with the prior consent of the architect of our customer (in case of nominated sub-contractors) and us;
- liquidated damages to be payable by our sub-contractors if the sub-contractors fail to complete the works before the specified completion date;
- we will retain, on average, 5% to 10% of the total amount of fees payable to the sub-contractor as retention money. The retention money would be released to the

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sub-contractor within 14 days after we have received the retention money from our customer, and the amount to be released by us will be the payment amount of work of our sub-contractors as certified in the payment certificate issued by our customer or its consultant monthly. The retention period is normally one year as a guarantee for performance of any rectification work by the sub-contractors if any defect is identified;

- compliance with all the relevant rules and regulations in connection with the works and our sub-contractors' responsibilities and policies relating to quality control, work safety and environmental protection;
- our right to terminate the sub-contracting agreement in the event that sub-contractors suspend their works without reasonable cause, and sub-contractors persistently neglect to rectify defective works or remove improper materials;
- undertaking by sub-contractors to indemnify our Group against:
  - (i) any breach, non-observance or non-performance by the sub-contractor or its servants or agents of the provisions of the main contract;
  - (ii) any act or omission of the sub-contractor, its servants or agents which involve our Group in any liability to our customer under the main contract;
  - (iii) any claim, damage, loss or expense due to or resulting from any negligence or breach of duty or relevant rules and regulations on the part of the sub-contractor, its servant or agents; and
  - (iv) any loss or damage resulting from any claim under any statute in force for the time being by an employee of the sub-contractor in respect of personal injury arising out of or in the course of his employment.

Our Directors confirm that during the Track Record Period, they were not aware of any instances where our Group's sub-contractors assigned or sub-contracted all of their works without our prior consent and there have been no instances where we terminated the engagement with our sub-contractors.

We select our sub-contractors carefully. There are two types of sub-contractors, namely nominated sub-contractors that are nominated by our customers, and sub-contractors selected by us. All of our sub-contractors were Independent Third Parties. We select our sub-contractors from our pre-approved list of sub-contractors which is reviewed and updated annually based on the performance assessment of each sub-contractor and invite them to submit quotations for our construction works. Such assessment takes into account a number of criteria: (a) the sub-contractor's financial condition; (b) its track record in respect of its on-time delivery; (c) technological competence; (d) the existence of any circumstances which impose constraints on its labour and capacity; and (e) its history of adherence to our Group's safety guidelines. Apart from such criteria, we require the sub-contractor to submit their brochure and provide us a list of previous projects for our consideration. We will also arrange interviews and site visits with the sub-contractor before appointing them as sub-contractors.

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The below table sets forth the number of sub-contractors that are nominated by our customers and other sub-contractors selected by us for the periods indicated:

	<b>For the year ended 31 March</b>					
	<b>2011</b>		<b>2012</b>		<b>2013</b>	
	<i>No.</i>	<i>% to total</i>	<i>No.</i>	<i>% to total</i>	<i>No.</i>	<i>% to total</i>
Sub-contractors nominated by our customers	58	36%	56	41%	31	26%
Other sub-contractors selected by us	<u>103</u>	<u>64%</u>	<u>81</u>	<u>59%</u>	<u>89</u>	<u>74%</u>
<b>Total</b>	<b><u>161</u></b>	<b><u>100%</u></b>	<b><u>137</u></b>	<b><u>100%</u></b>	<b><u>120</u></b>	<b><u>100%</u></b>

In general, we are liable to our customers for the performance of our sub-contractors under the main contract entered into between us and our customers including defects, delay in the project schedule, injuries of sub-contractors' employees and violation of rules or regulations.

As a safeguard, we require our sub-contractors for major works to observe the provisions of the relevant main contract entered into between us and our customers. The sub-contracting agreements between our Group and our sub-contractors normally contain a clause which states that our sub-contractors are deemed to have notice of all the provisions of the main contract that we entered into with our customers, and our sub-contractors shall observe, perform and comply with all the provisions of the main contract. Therefore, our sub-contractors have the responsibility to ensure that all works performed must satisfy the requirements as imposed by our customer or its consultants, and in doing so they must make good any defective works and bear the cost of wastage of raw materials purchased by them. Meetings are also held with consultants of our customer, such as architect and structural engineer, and our sub-contractors every two weeks for co-ordination of working schedule as set out in the main contract and the construction works carried out by our sub-contractors. We also endeavour to ensure that the material terms of the sub-contracting agreement entered into between us and our sub-contractors, such as payment and supervision, follow those contained in the relevant main contract. Our sub-contractors are not our employees or agents, and we do not have an employment arrangement with our sub-contractors and their employees.

Further, pursuant to the sub-contracting agreement with our sub-contractors, our sub-contractors are required to indemnify us for liquidated damages and/or loss for any non-performance of the provisions of the main contract with our customer or any delay caused by them. For the amount indemnified by our sub-contractors for the fine imposed on us as a result of non-compliance with statutory provision in relation to work safety, please refer to the table under the paragraph headed "Non-compliance matters of our Group during the Track Record Period and as at the Latest Practicable Date" for further details.

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As a further safeguard, we have taken out employees' compensation insurance to cover compensation and costs liable by our Group for personal injuries of the employees of our sub-contractors in respect of the relevant construction project. As for the employees' compensation claims and personal injuries claims, our Group had been covered by the relevant insurance policies (other than two claims arose from the same accident) during the Track Record Period and up to the Latest Practicable Date. Please refer to the paragraph headed "Insurance" in this section for further details.

In order to monitor the performance of our sub-contractors and to ensure that our sub-contractors comply with the sub-contracting agreement terms and the relevant laws, rules and regulations, we have put in place the following control measures:

- meetings are held on a fortnightly basis between our project management team members and the sub-contractors to ensure their understanding of our requirements and concerns;
- inspection and testing on the sub-contractors' works are carried out by our project management team members in accordance with the manuals of our IMS;
- upon completion of project works, our project management team members will review the performance of sub-contractors by reference to certain criteria, including technical resources, work force sufficiency and quality of works and record in a performance appraisal form;
- in the event that there is major non-performance by an approved sub-contractor, we would review its suitability to remain on our approved list of sub-contractors.

Employees of our sub-contractors are required to possess all relevant certificates as required under the Factories and Industrial Undertakings Ordinance. To ensure that they possess such certificates, our sub-contractors are not permitted to commence any construction works unless all the relevant certificates of their employees required for the carrying out of the construction works are submitted to our safety officer for review. We are also committed to the prohibition of recruitment of illegal workers. We require all workers including those employed by our sub-contractors entering our construction sites to produce to us their worker registration document. Those who fail to produce such document will be denied access to our construction sites. During the Track Record Period, no illegal workers have been reported in the sites of any of our construction projects.

Our Directors believe that we maintain good working relationships with our sub-contractors. Some of them have had business relationships with us for over 10 years. During the Track Record Period and up to the Latest Practicable Date, we have over 120 active sub-contractors on our approved list of sub-contractors who generally respond to our request for quotation for works. We believe that our stable relationships with our sub-contractors enables us to have a thorough understanding and assessment of our sub-contractors' performance over the years, which in turn allows us to ensure their quality of works. To avoid relying on a few sub-contractors to perform tasks which require specific skills, we maintain more than one sub-contractor for each area of expertise on our pre-approved list of sub-contractors, such as steel bar fixing and formwork construction. During the Track Record Period, none of the sub-contractors was removed from our pre-approved list of sub-contractors due to poor performance in sub-contracting work.

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If our customer defaults in making payment, we remain liable to settle the sub-contractors fees to the sub-contractors nominated by such customer. However, our contract with nominated sub-contractors usually specify that payments to them are made by us after we have received payment from our customers, and the amount payable is determined in accordance with the amount as specified in the payment certificate issued by the architect or quantity surveyors employed by the customer. During the Track Record Period, there had been no default in making payment by our customer to us in relation to the nominated sub-contractors' work.

On the other hand, payments to sub-contractors other than nominated sub-contractors are assessed by our project quantity surveyor before such payments are made. The credit period granted by our sub-contractors to us is normally about 30 days. We usually apply for the issuance of payment certificate certifying the work progress done by us monthly and we also pay our sub-contractors, save for sub-contractors nominated by our customers, on a monthly basis. In order to manage our cash flows in terms of matching of payments from customers with payments to sub-contractors, our accounts department would closely monitor the incoming and outgoing cash flows by monitoring our management accounts, which is updated on a monthly basis, and by conducting aging analysis of our accounts receivable of our customers.

### *Inspection and application for payment and certification*

In the course of executing the construction works, our project management team will conduct inspection of works completed on a regular basis to ensure that the works performed comply with the requirements as set out in the relevant construction contract. Our Directors and senior management will also closely monitor the progress of the project to ensure that the works are completed within the budget and schedule, and in compliance with all relevant statutory requirements. Where necessary, our project management team will meet with our customer or their professional consultants for the purpose of assessing and reviewing the progress of the project. Our project management team also submits site progress report to our customers or their consultants every two weeks.

We normally receive interim payment for value of our construction works completed in accordance with the terms of the construction contracts on a monthly basis and, occasionally, on a milestone basis. Our project quantity surveyor is responsible for handling and following up with the status of the applications of payment and will report the status to the project manager and Director from time to time. Our project quantity surveyor will generally prepare the application for payment for submission to our customer or its consultants on a monthly basis according to the value of our construction works completed during the corresponding month. Such application for payment is reviewed by our project manager before submission. After submission of the payment application, our project quantity surveyor will arrange site inspections with the customer's representative or consultants responsible for the project to inspect and verify the progress of the construction works. If the result of the site inspection is satisfactory, the customer's consultants, normally its architects, will issue a payment certificate certifying the works progress. It takes approximately 30 days for such certificate to be issued and upon issuance of the certificate, the customer shall be obliged to pay us the amount certified less retention money. After practical completion of the project, our project

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quantity surveyor prepares the final account of the project, which is reviewed and approved by our project manager and a Director. After reaching an agreement on the final account by our project quantity surveyor and the architects employed by the customers, a final payment application is submitted by us whenever there is money due and payable to us.

We are liable to rectify all defective works during the defective liability period and our project management team will arrange rectification works in respect of any defective works identified. Upon completion of the rectification works, we require our customers or their consultants to sign a confirmation indicating their satisfaction of the rectification works carried out by us. Furthermore, most of our construction contracts entered into with our customers provided for our customers holding up retention money in the range of 5% to 10% of the respective interim payment so as to guarantee our work quality. Please refer to the paragraph headed “Customers” in this section for details of the payment of the retention money and defect liability period.

In the case of nominated sub-contractors, we generally pay them after we receive the corresponding payment from our customers. We generally pay our other sub-contractors on a monthly basis with reference to the value of construction works completed. Our sub-contractors are required to submit a payment application or invoice to us on a monthly basis or upon the completion of their construction works. After the construction works completed by our sub-contractors are assessed and verified by our quantity surveyor, we will pay our sub-contractors in accordance with the payment application or invoice submitted. Depending on the terms of the sub-contracting agreement we enter into with our sub-contractors, retention money which is normally 5% to 10% of the respective payment amount may be held by us to guarantee our sub-contractors’ work quality.

### **Our data centre premises leasing business**

To diversify our Group’s business with the aim of expanding into a business in which we may be able to achieve a higher gross profit margin, we tapped into data centre premises leasing business in 2007 leveraging on our experience in building construction. Our data centre premises leasing business focused on the developing and building of our own data centre building and leasing out of the raised floor space as a wholesale co-location provider of high-tier data centres to companies that required raised floor space for the operation of their own data centres. Please refer to the paragraph headed “Data centre co-location services” of the section headed “Industry Overview” in this prospectus for further details.

Before handing over the premises to our customers, we will perform required A&A works and building services engineering works in our data centre building to ensure that the premises can meet our customers’ requirements and specifications. Such A&A works and building services engineering works including alteration to structural walls and internal layout of the premises, strengthening of existing floor slabs and construction of structural frames for accommodation of supporting mechanical and electrical facilities such as air-cooled chiller plants and oil tanks and installation of mechanical and electrical systems such as cooling systems, power generator systems and UPS systems. We are also responsible for the obtaining of requisite governmental approval in relation to the A&A works within our data centre building. After our A&A works and building services engineering works are substantially completed, we hand over the premises to our customers to install their own servers, cables and racks to operate their own data centres. From then on, we maintain the supporting

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mechanical and electrical engineering facilities and security of our data centre building in order to ensure that the premises leased out meet the specifications and expectations of our customers on an on-going basis. We enter into agreements with our customers and receive quarterly or monthly rental income. Depending on the terms of the agreements we enter into, our customers are generally permitted to share the use of the premises leased from us with their respective affiliates and/or sub-let or sub-licence the premises to other third parties. During the Track Record Period, no claims have been made against our Group by the sub-lessee or sub-licensee of our customers.

Such wholesale co-location services of high-tier data centres with higher reliability and security level are generally preferred by multi-national corporations as they usually have their own sets of servers and data centre facilities to ensure data security. Compared with those low-tier data centres, high-tier data centres are required to meet more stringent requirements in terms of serviceability, availability and security and all operating components have to be duplicated, including utility power supply, backup generator, cooling equipment, etc.. Please refer to the section headed “Glossary of Technical Terms” for further details of the requirements.

### Major qualifications and licences

We hold various licences and qualifications in respect of our business of leasing of data centre premises through Wellford Properties. Our Directors confirmed that, our Group possesses all the necessary and material licences which are required to carry on our Group’s activities in respect of our data centre premises leasing business in Hong Kong.

Our Directors also confirmed that, save as disclosed in the “Legal proceedings and compliance” of the “Business” section of this prospectus, our Group has been in compliance with all major applicable laws and regulations in Hong Kong relevant to our data centre premises leasing business in all material aspects during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, our Group has the following major permits/licences/approvals in respect of our data centre premises leasing business in Hong Kong:

<b>Name of permit/licence/ approval</b>	<b>Relevant authority which issued such permit/licence/approval</b>	<b>Relevant premises/location of approved store (for Licence for the Storage of Dangerous Goods)/ particulars of such permit/ licence/approval</b>	<b>Date or duration of validity of permit/licence</b>
Occupation Permit	Building Authority	Permit the occupation of the new building at 28 Pak Tin Par Street, Tsuen Wan on Lot No. 321 in D.D. 355	1 October 1975
Occupation Permit	Building Authority	Permit the occupation of the new building (namely, an 8-storey industrial extension to the existing industrial building at 28 Pak Tin Par Street) at 34 Pak Tin Par Street, Tsuen Wan, New Territories on Lot No. 321 in D.D. 355 and Section A of Tsuen Wan Inland Lot No. 46	5 January 2009

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Name of permit/licence/ approval	Relevant authority which issued such permit/licence/approval	Relevant premises/location of approved store (for Licence for the Storage of Dangerous Goods)/ particulars of such permit/ licence/approval	Date or duration of validity of permit/licence
Temporary waiver to permit information technology and telecommunications industries use ( <i>Note 1</i> )	Lands Department	A portion of the 8th floor of the iTech Tower having a total area of 1,044 sq.m.	14 August 2008
Temporary waiver to permit information technology and telecommunications industries use ( <i>Note 1</i> )	Lands Department	A portion of each of the 5th floor, the 7th floor and the 10th floor of the iTech Tower having a total area of 3,132 sq.m.	26 August 2009
Temporary waiver to permit information technology and telecommunications industries use ( <i>Note 1</i> )	Lands Department	A portion of the 2nd floor of the iTech Tower having a total area of 1,174 sq.m.	21 September 2011
Licence for the Storage of Dangerous Goods	Fire Services Department	20,000 litres of diesel in a fuel tank room on G/F and 2×450 litres of diesel in fuel tank rooms on R/F	24 January 2013 - 23 January 2014
Licence for the Storage of Dangerous Goods	Fire Services Department	2×23,000 litres of diesel A/G tanks in fuel tank room on G/F	17 April 2013 - 16 April 2014
Licence for the Storage of Dangerous Goods	Fire Services Department	2×13,600 litres of diesel A/G tanks in fuel tank room on G/F	17 April 2013 - 16 April 2014
Letter of no objection to the completed alteration and addition works as shown on the approved plan	Buildings Department	G/F, 1/F, 2/F & R/F, 24-32 Pak Tin Par Street, Tsuen Wan — D.D. 355 Lot 308 and Lot 321 ( <i>Note 2</i> )	23 January 2008
Letter of no objection to the completed alteration and addition works as shown on the approved plan	Buildings Department	1/F to 4/F, 24-32 Pak Tin Par Street, Tsuen Wan (Architectural Feature and Aluminium Cladding)	10 July 2008
Letter of no objection to the completed alteration and addition works as shown on the approved plan	Buildings Department	5/F to 7/F and 9/F to 11/F, 24-32 Pak Tin Par Street, Tsuen Wan	10 July 2008

*Notes:*

- (1) We have obtained lifetime temporary waivers for all of the raised floor space of the iTech Tower which have been used as data centre and the amount of the one-off waiver fee paid in aggregate was approximately HK\$3.2 million (amongst which, approximately HK\$0.6 million, HK\$1.9 million and HK\$0.7 million were paid on 13 March 2008, 23 December 2008 and 17 December 2010, respectively). We do not expect to pay any further waiver fee in the future. Subject to certain conditions, the waivers shall be for the lifetime of iTech Tower.

These conditions include (1) obtaining all necessary licences, approvals and permissions required from the Government or statutory authorities for the use of the premises for the purpose of IT&T Industries prior to the operation of the IT&T Industries on the premises; (2) maintaining and operating the Industries at the premises in all respects in compliance with all laws and regulations. If, (1) in the determination of the Director of the Lands Department, there is any breach of the conditions of the waiver, or the premises are used for any purposes in breach of any laws and regulation; or (2) any necessary licences, approvals or permissions required from the Government or statutory authority has not been obtained, the Government may revoke the waiver.



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To obtain the lifetime temporary waivers, we appointed a surveyor firm to act on our behalf to submit three waiver applications to the Lands Department on 30 November 2007, 15 August 2008 and 18 August 2010, respectively. Amongst other documents, one of the documents submitted were floor plans of the raised floor space of the iTech Tower which would be used as the data centre. Lands Department accepted our waiver applications and issued acceptance letters which set out the conditions of the waivers together with demand notes for payment of the administration and waiver fees on 3 March 2008, 26 November 2008 and 13 December 2010, respectively. Upon receipt of our signed acceptance letters and having received payment of the administration and waiver fees by us, the Lands Department then issued the waiver letters for our execution to accept the terms of the same on 14 August 2008, 26 August 2009 and 21 September 2011, respectively. We returned the executed waiver letters together with other requisite documents such as our corporate documents to the Lands Department. The Lands Department then executed the waiver letters and arranged the waiver letters be registered at the Land Registry. The registered waiver letters (with Memorial Nos. 08091600390025, 09092900830235 and 11093002230034, respectively) were then returned to us. From the submission of the waiver applications to the issuance of the waiver letters by the Lands Department, the time taken for the three waiver applications was around 11 months on average.

- (2) No. 24-32 Pak Tin Par Street, Tsuen Wan is now known as No. 28 Pak Tin Par Street, Tsuen Wan, New Territories.

### *Our data centre building*

We developed our own data centre building, named iTech Tower, principally by converting an existing industrial building in 2007. iTech Tower is solely owned by us and is strategically located in Tsuen Wan, Hong Kong with a total raised floor space of approximately 53,200 sq.ft. It consists of two linked properties, one of which is a 10-storey main building converted by us from an existing industrial building, while the other is a 8-storey utility extension building which was developed by us and is mainly used for housing various supporting electrical and mechanical engineering facilities. Also, it is well-connected with highways and easily accessible by various kinds of transportation from the central business district in Hong Kong. The strategic location of iTech Tower also enables our customers to reach their data centres easily in the event that catastrophic incident occurs in their data centres or any urgent repair by their maintenance staff is required. Certain critical mechanical and electrical systems installed in our iTech Tower such as the dual path chilled water system, standby generator for chiller and cooling plant, and the UPS system were designed based on the standards of a high-tier data centre.

We acquired the predecessor of iTech Tower, which was an industrial building, in 2007. We chose to purchase an existing building and convert it into a data centre building, rather than constructing a data centre building from scratch, in order to avoid the need for building the foundation which could be time-consuming.

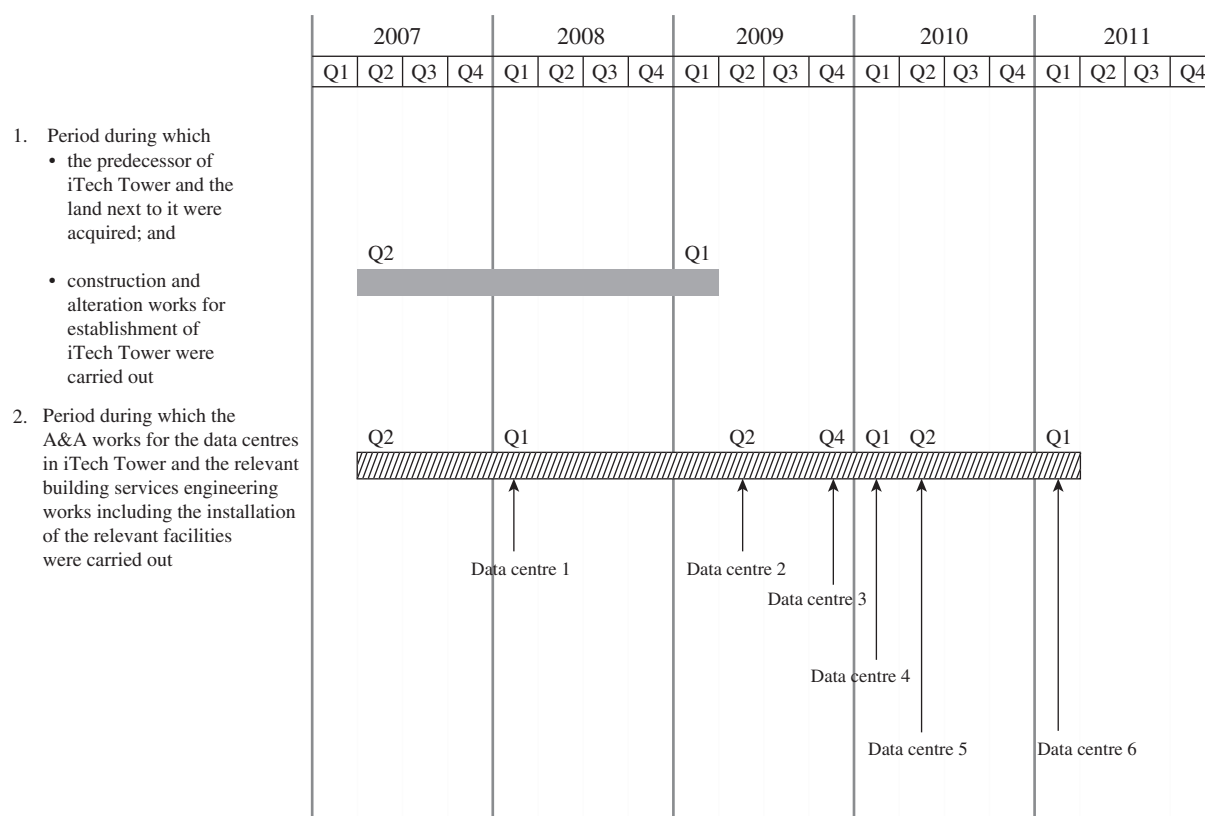
In establishing iTech Tower, significant A&A works to the existing building structure were carried out to the predecessor of iTech Tower. The works were implemented by Grand Tech Construction, a member of our Group with construction as its principal business. Mr. Jon K. H. Wong, the barrister advising the Company on certain Hong Kong legal issues (the “**Counsel**”) has advised that save and except the unauthorized building works as particularised in the Building Order as disclosed in the paragraph headed “Non-compliance matters of our Group during the Track Record Period and as at the Latest Practicable Date” in this section of this prospectus, our Group has obtained the necessary permits/licence/approval from the relevant Government and/or statutory authorities and/or any other persons in relation to the alteration and addition works carried on at iTech Tower. With the expertise of Grand Tech Construction, we were able to successfully build and convert the then industrial building to our iTech Tower and completed the associated A&A works and building

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services engineering works for the commissioning of the first data centre in our iTech Tower within twelve months despite the significant A&A works involved such as restructuring the then industrial building from twelve storeys to ten storeys so as to increase floor height for ventilation and strengthening the floor slabs to increase floor loading capacity for housing of our customers' data processing systems and our supporting electrical and mechanical engineering facilities. The total development costs in respect of iTech Tower comprising acquisition costs and construction costs were approximately HK\$778.2 million.

We have engaged WSP, an Independent Third Party, to provide full mechanical and electrical consultancy services in the course of the conversion of the predecessor of iTech Tower into a data centre building to ensure those critical mechanical and electrical systems installed in our iTech Tower were designed and installed based on the standards of a high-tier data centre and to meet the specific specifications of our customers.

Our expertise in the construction industry enables us to accommodate new tenants of our data centre building continuously and in different phases without affecting the use of the data centres by existing tenants within the same data centre building during the course of A&A works and building services engineering works. The following table sets forth the development programme of our iTech Tower:



*Notes:* Q1 means first quarter; Q2 means second quarter; Q3 means third quarter; and Q4 means fourth quarter.

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As at the Latest Practicable Date, we have three customers, occupying a total raised floor space area of approximately 53,200 sq. ft. of our iTech Tower, representing an occupancy rate of 100%.

### *Major facilities and equipments*

Tenants of our iTech Tower have stringent requirements, such as redundant telecommunications access, redundant power and cooling distribution paths (please refer to the section headed “Glossary of Technical Terms” for further details of the requirements), and specifications on the premises leased from us. In particular, most of our customers required us to provide critical supporting electrical and mechanical engineering facilities in our iTech Tower that are designed based on high-tier data centres standards. They also have stringent requirements on other aspects including the lighting, room temperature, relative humidity, access control and fire safety of the premises leased from us. Set out below are the major supporting electrical and mechanical engineering facilities equipped in iTech Tower to ensure that the premises leased out meet our tenants’ requirements and expectations on an on-going basis:

*Power supply.* We have in place in our iTech Tower a dual utility power supply provided by a local utility company, each of which is provided by a separate power sub-station. We have also provided dedicated redundant UPS systems and on-site back-up power generation systems including emergency generators with comprehensive fuel storage systems that are capable of supplying power to the data centres to ensure a continuous and stable utility power supply in the event that the dual utility power supply fails.



Generator



UPS systems



Batteries for UPS systems

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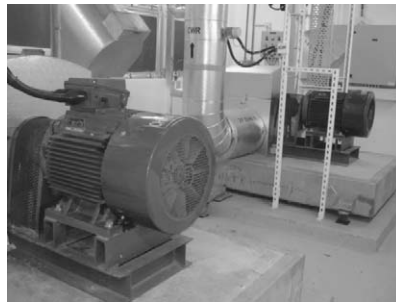
## BUSINESS

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*Air-conditioning.* We provide dedicated air-conditioning systems with adequate redundancy in our iTech Tower. Air-cooled chiller plants with redundant chillers and pumping systems are installed and incorporated with dual chilled water risers. In addition, air-conditioning systems of our iTech Tower are all configured with dedicated redundant back-up power generation systems to ensure reliable utility power supply for continuous temperature and humidity control on a 24 hours a day, seven days a week basis.



Chiller plants



Water pump of chiller

*Fire protection systems.* We provide advanced fire detection and suppression systems in our iTech Tower which consist of a double interlocked pre-action sprinkler system that could prevent water damage to equipment due to false alarm, gas suppression system that enhances the property protection from water damage in case of both false alarm and real fire alarm, associated with automatic fire and smoke detection systems to protect human lives and properties in our iTech Tower.



Panel of inergen system for monitoring the operation of fire suppression system



Storage of inergen gas

*Security.* We provide onsite security and access control systems on a 24 hours a day, seven days a week basis. On top of the strict control over entry into iTech Tower and patrolling the premises by 24-hour security guards, all access to iTech Tower and each data centre therein is continuously monitored by digital video recording CCTV surveillance cameras and the records are maintained and protected. Access control systems using access cards cover not only the main entrance of iTech Tower, but also each data centre and all the elevators. In addition, mantraps and turnstiles are also provided to enhance the access protection.

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*Telecommunication provision.* In relation to the telecommunication connectivity, we have also put in place in our iTech Tower at least four dedicated access to four network providers to bring in data cables and equipment to our two separate secured telecommunication broadcast equipment rooms for the provision of necessary telecommunication connections to our tenants.

According to WSP, our facilities at iTech Tower have met the requirements of a “high-tier data centre” as defined under the practice note issue no. 3/2012 issued by the Lands Department. In particular, our facilities at iTech Tower contain:

- Redundant telecommunications access in two separate telecom riser ducts;
- Dedicated and dual power generator at separate generator rooms to support respective data centre floor;
- Dedicated and redundant electrical components, such as generators, low voltage switchboard, UPS, batteries, and fuel tank storages to fully support the end-users’ requirements;
- Redundant chillers, pumps, supply and return pipe-works was designed for each end user of data centre;
- Dedicated and environmentally controlled space for the computer room;
- Dedicated air side equipment was designed for each end user of data centre.

The opinion of WSP as stated above does not represent an industry accreditation. However, on the basis that the majority of the personnel of WSP who are engaged in mechanical, electrical and plumbing works possess the professional qualifications of professional engineer and the building services engineering and structural engineering of WSP are listed as the highest level under the list of Architectural and Associated Consultants Selection Board of Architectural Services Department, which is a list that most of the Government departments will refer to when inviting consultants for tender, our Directors are of the view that WSP is a competent body to provide opinion that our facilities at iTech Tower have met the requirements of a “high-tier data centre” as defined by the Lands Department mentioned above. Our Directors consider that our major electrical and mechanical engineering facilities equipped in iTech Tower, in particular, dedicated emergency generators with comprehensive fuel storage systems and air-conditioning systems with adequate redundancy, signifies our dedication to developing data centre buildings and leasing out raised floor space that are designed and built based on the standards of high-tier data centres and distinguishes us from other wholesale co-location providers.

During the Track Record Period, we have not experienced any material system failure in all of the aforementioned facilities and equipment.

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### *Supporting facilities and equipment monitoring and maintenance*

We monitor and maintain the daily operations of the facilities inside iTech Tower, on a 24 hours a day and seven days a week basis in order to ensure that the premises leased out satisfy the requirements of our customers on a continuing basis. Such monitoring and maintenance works are carried out by our team of control and engineering personnel, all of whom possess the professional qualification of mechanical engineers or electrical engineers or have over three years of working experience in the engineering industry.

To assist us in the daily monitoring and maintenance of the facilities equipped in iTech Tower, we have purchased and installed a computerised building management system which monitors and controls all facilities of iTech Tower as well as monitors the premises leased to our customers to ensure on-going compliance of requirements of our customers, and gives alert where incidents arise. The computerised building management system was acquired from an Independent Third Party in 2008 at a consideration of approximately HK\$6.2 million. It comprises hardware such as sensor, data processing device, and software specifically designed for monitoring and collecting data and information of relevant equipment and plant and the mechanical and electrical systems installed. It operates on a 24 hours a day and seven days a week basis, and is able to monitor the functional status of the relevant facilities at iTech Tower, as well as to collect information such as the status of power supply, air-conditioning and room temperature of the premises. Where incidents such as equipment mal-function or breakdown occur, an alarm will be activated, and the building management system will automatically generate an alarm message via email to on-site engineers and details of the incident will be shown instantly at the work stations located at iTech Tower.

Notwithstanding that the computerised building management system has been operating non-stop since 2008, regular maintenance is provided to such system every three months so as to ensure that the system is in good condition. Since our computerised building management system has a redundancy design, in that it has two servers and cabling networks, in the event that one of the servers and cabling networks ceases to operate, the building management system will still be able to function in its normal state. Therefore, since maintenance or replacement work to the building management system will only be carried out in respect of one of the servers and cabling networks each time, such maintenance or replacement work will cause no interruption to the operation of the building management system and the continuous monitoring of the facilities equipped in iTech Tower.

With our building management system which oversees the functioning of our facilities within iTech Tower, we are able to ensure that the on-going compliance with the criteria required can be met given that any incident which occurs in the iTech Tower would be made known to us immediately, and customers will be notified immediately when incidents in relation to the facilities supporting their data centres arise. Also, the aforesaid building management system regularly generates reports covering irregularities, if any, in the daily operations of the facilities and systems supporting the data centres and will generate a comprehensive monthly report at the end of each month. Internal meetings are held at least once monthly in order to review the operation. The results of the aforesaid reports would be sent to our customers on a monthly basis for review and we will, where necessary, discuss the results with our customers.

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In addition, we also provide, on a 24 hours a day, seven days a week basis, “remote hand services” to customers who have no staff stationed at iTech Tower for ad hoc attendance to their respective equipment at iTech Tower, for instance, checking of data wire connections and rewiring of data wire. We charge our customers for such remote hand service on an hourly rate basis.

We also engage third party suppliers of the facilities at iTech Tower to undergo regular testing and maintenance of our facilities in iTech Tower which are, depending on the type of maintenance work to be done, carried out on a monthly, quarterly and annual basis, so as to ensure that they are in good working condition. The third party suppliers who supply the facilities at iTech Tower and perform the regular maintenance works at iTech Tower are either local corporations with at least 20 years of experience, or international corporations in the relevant fields, such as the provision, manufacturing and maintenance of generators, lifts and chillers. In selecting these third party suppliers, we take into account (i) their respective history in serving similar customers; (ii) the reputation of the relevant supplier in the relevant industry; and (iii) their respective technological competence.

### *Business operation of our data centre premises leasing business*

Set forth below is a flow chart illustrating the business operation of our data centre premises leasing business:



#### *Venue identification*

Our data centre premises leasing business starts with identifying the right location for developing our data centre building. To enable easy access by our customers, our data centre building has to be reachable by various kinds of transportation within a reasonable time. As we dedicated to develop data centre building and lease out the raised floor space that are designed and built based on the standards of high-tier data centres, the ideal locations are those close to the central business district of Hong Kong where most of the offices of multi-national corporations are located. Also, it is preferable for the location of a high-tier data centre building to be away from hazardous industries which may expose the data centres to high risk of fire hazard or explosion. Proximity to locations where main data transmission lines made landfall in Hong Kong is currently not one of our major criteria for identifying the prospective location for developing a data centre building. Our current and potential customers have not expressed any concern to us on transmission latency due to the distance of our iTech Tower (located in Tsuen Wan) or the future location of our second data centre building (located

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in Kwai Chung) to the main data transmission lines made landfall in Hong Kong. Since our customers, who are multi-national data centre operator, telecommunication company and financial institution, require wholesale co-location of high-tier data centres with high reliability and security levels, we have put in place in our iTech Tower dedicated access to four network providers to bring in data cables and equipment in order to meet our customers' requirements of telecommunication connectivity and we have never received any feedback from our customers that their data centres have experienced high latency. In fact, based on the information published by OGCI, large data centre buildings tend to cluster around in a number of areas, including the area of Kwai Chung and Tsuen Wan and not all of them are clustered in locations close to where the main data transmission lines made landfall in Hong Kong. On the basis of the above, our Directors are of the view that the greater latency (if any) arising from our iTech Tower and our second data centre building under development being located further away from where main data transmission lines made landfall is not a major concern and has/will not put us at a competitive disadvantage to operators of data centres which are located closer to where the main data transmission lines made landfall in Hong Kong.

Leveraging on our expertise in construction services and experience in converting an existing industrial building into our iTech Tower, we will, in addition to identifying suitable land for building a brand new data centre building, identify existing industrial buildings that are suitable for converting into data centre buildings such as those where we expect substantial alteration works would not be required and we assess that the conversion could be done in a cost-effective and efficient manner.

### *Data centre building construction and alteration*

Broadly speaking, a data centre building may be developed by constructing a new building or by converting an existing building. The latter method has the advantage of avoiding the need for foundation works which could be time-consuming and costly.

Before the alteration and construction works of the development of a data centre building can commence, architectural and structural designs as well as the mechanical engineering and building services designs in relation to the data centre building will be carried out by external professional parties such as architects, structural engineers and building service consultants engaged by us. Approvals from various governmental departments and authorities in connection with the use of land for the purpose of information technology and telecommunications industries and in connection with the aforesaid alteration and construction works must also be obtained.

Our construction and alteration works involved in the conversion of the existing building to our data centre building included, without limitation, demolishing and rebuilding floor slabs to increase the floor-to-floor height and reinforcing and strengthening existing columns and floor slabs to increase the floor loading capacity. The construction of a brand new data centre building will save the needs of the above works.

### *Soliciting customers and negotiation*

We source our customers from various channels including introduction by existing customers, marketing activities and introduction by our Group's business partners. Once we have established initial contact with a potential customer, we discuss with them their specific needs regarding, for



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instance, raised floor space required, specific requirements, term of tenancy and expected hand-over date of the premises. We may also arrange for our potential customers to have site visits to our data centre building. A proposal incorporating the needs of the potential customer will then be compiled and sent to the potential customer.

If the potential customer accepts our proposal, more in-depth discussions regarding the technical specifications of the data centre and details of the related A&A works and building services engineering works to be carried out will be conducted between the potential customer and us. Our personnel with expertise in construction participate in the discussions and provide professional advices especially on issues relating to the technical areas of A&A works and building services engineering works. When all technical specifications are agreed, a final version of the specifications of the data centre are drawn up and confirmed by all relevant parties.

Our customer and us will negotiate and finalise the terms and execute the agreement for leasing of the premises. In some cases the negotiation of the terms of the agreement take place at the same time with the discussion of the technical specifications.

### *Building out the data centre*

A&A works and building services engineering works required before we hand over the premises to our customers involve substantial electrical and mechanical engineering works as well as alteration works and building service works to be carried out inside the data centre building. Further, in order to avoid delay, we will carry out the A&A works and building services engineering works for multiple premises within the same data centre building concurrently and handover individual premises to our customers as soon as its A&A works and building services engineering works have been completed, whilst A&A works and building services engineering works for other premises are still ongoing. With our experience and expertise in construction and leasing of data centre premises, we are able to carry out the A&A works and building services engineering works in an efficient manner whilst catering for and not affecting the other existing tenants within the same data centre building. We believe that such experience and expertise also enable us to carry out further A&A works and building services engineering works for our existing tenants without affecting the operation of nearby data centres in the event that any of them require us to carry out modification works to the relevant premises.

During the Track Record Period, we have not experienced any delay in the completion of A&A works and building services engineering works and delivery of any of the premises within our data centre building.

Upon handing over of the premises, our customers install their own servers, racks and cables, whilst we provide advice to our customers as well as their affiliates, sub-tenants or end-users as to the layout of placing their data processing systems. Upon completion of the installation of the data processing systems by our customers, the data centre will commence operation and our access to the premises will be restricted in order to maintain the confidentiality of the data stored in such data centre.

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### *Daily monitoring and maintenance*

Once the operation of the data centre commences, we monitor and maintain the supporting facilities and equipment of the data centres and provide 24-7 security to ensure that the premises meet our tenants' requirements and expectation on a continuing basis. Please refer to the paragraph headed "Supporting facilities and equipment monitoring and maintenance" in this section for further details.

### *Development of our second data centre building*

To fulfil our potential customers' demand and equipping ourselves to capture the prospective demand for high-tier data centres, we purchased from an Independent Third Party a piece of land situated at 54-56 Ta Chuen Ping Street, Kwai Chung, Hong Kong with a total site area of approximately 10,340 sq.ft. in November 2012 at an aggregate consideration of HK\$118 million for the development of our second data centre building. The acquisition of such land was completed in February 2013 and as at the Latest Practicable Date, the total capital expenditure incurred amounted to approximately HK\$126.5 million. Please refer to the paragraph headed "Properties" in this section for further details of this piece of land. According to the Ipsos Report, driven by the rising demand of large-scale enterprises establishing their offices in Hong Kong, Government encouragement and advanced technology development, the data centre market in Hong Kong is projected to grow significantly to approximately HK\$11,507 million in 2016 from approximately HK\$7,884 million in 2013, representing a CAGR of approximately 13.4%.

Set forth below is a summary of our land acquisition procedures:

- after we have informed the property agents our requirements of the site for proposed leasing of data centre premises, we will be provided with details of potential sites which are put up for sale by such property agents;
- prior to considering any piece of land being put up for sale is suitable for proposed acquisition, we will first obtain preliminary information in relation to the piece of land, such as total gross floor area, location, neighbourhood environment and permitted land use, from the property agent and other sources;
- after preliminary information is obtained, the Board will assess the suitability of the targeted land for the development of data centre building on a preliminary basis after taking into account of various factors including (a) site location and surroundings condition; (b) feasibility of the site for development of data centre building including any physical constraints; and (c) acquisition cost;
- if the Board considers that the land identified may be suitable for development on a preliminary basis, a Director together with other personnel will then carry out more in-depth feasibility study, including conducting site visits and land searches of the targeted land; obtaining building plan; engaging a surveyor to study the permitted land use of the targeted land to ensure that it is suitable for building of a data centre; and making enquiries with the electricity supply company to ensure the availability of power supply;

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- the Board to consider the estimated budget and return of investment and decide whether to proceed with the acquisition of the targeted land; and
- if the Board decides to proceed with the acquisition of targeted land, legal professionals will be appointed to handle the legal documentation of the acquisition.

In order to ensure compliance with relevant rules and regulations in respect of land acquisition and development of the data centre building, we have adopted the following internal control measures:

- all data and information obtained in respect of the targeted land and/or proposed development must be reviewed and considered by the responsible Director;
- approval of the Board is required in order to reject or approve any acquisition or development plan;
- professional advisers shall be appointed to advise our Company, including (a) legal advisers for all legal matters relating to acquisition of the targeted land; (b) architects and engineers for the obtaining of relevant approval for the building plan, construction works and A&A works to be carried out, or the obtaining of the relevant consent from the relevant government authorities; and (c) surveyors for the making of application to the Lands Department for lease modification, if necessary.

It is currently our intention to design and build our second data centre building based on the standards of a high-tier data centre. The following sets out the particulars of our second data centre building according to our current development plan:

Site area:	approximately 10,340 sq. ft.
Permissible gross floor area:	approximately 98,000 sq. ft.
Number of floors:	14 storeys (comprising of a 4 storey podium and a 10 storey tower)
Use of floors:	G/F - main entrance, carpark, loading and unloading area, fuel tanks and transformer rooms G/F to 2/F - transformer rooms and switch rooms 3/F to 13/F - data centre floors and mechanical floors Roof - outdoor chillers and plants
Floor loading:	15KN per sq. m. for data centre area
Floor height:	approximately 5.1m from floor slab to floor slab
Total raised floor space:	approximately 45,000 sq. ft.

Instead of adopting the construction method of converting an existing industrial building, we have decided to build our second data centre building by constructing a brand new building. Without the constraint in relation to the condition of an existing building such as its building shape and structure, layout, floor-to-floor height and foundation loading capacity, the method adopted by us for the development of our second data centre building will be able to give us more flexibilities in utilising the site area, and to allow us to better design the building layout and foundation loading capacity of our second data centre building so as to maximise its total raised floor space for leasing.

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Set out below are the differences between the construction methods of converting an existing industrial building and constructing a brand new building we have considered that resulted in our decision to develop our second data centre building by constructing a brand new building and the impact on the ratio of raised floor space to gross floor area thereof:

	<b>Converting an existing industrial building</b>	<b>Constructing a brand new building</b>
Foundation loading capacity:	<p>The existing foundation of an existing industrial building may be just designed and built to accommodate the floor loading of the building for general industrial use, which is much lower than the required floor loading of the raised floor space for the high-tier data centre use (about 40% to 50% difference).</p> <p>Due to such a constraint that the total loading of the existing industrial building cannot exceed the loading capacity of its existing foundation after being converted into a data centre building, a portion of the gross floor area of the existing industrial building cannot be used or re-designated as raised floor space, thereby lowering the ratio of raised floor space that we can build out of the gross floor area of the building.</p>	<p>We will be able to design and build the foundation with a loading capacity good enough to accommodate the loading requirement of our targeted raised floor space for high-tier data centre to be built.</p>
Floor-to-floor height:	<p>The existing floor-to-floor height of an existing industrial building is generally ranging from 3.4 metres to 4.0 metres, which is less than the required floor-to-floor height of the raised floor space of a high-tier data centre of approximately 5.0 metres in order to accommodate the necessary equipment and plant for the operation of a data centre.</p> <p>We have for instance converted the existing 12 storeys industrial building into a 10 storeys data centre building by re-constructing certain existing floor slabs to provide for a floor-to-floor height of approximately 5.1 metres when developing the iTech Tower. As a result of such alteration, the usable floor area which could be turned into raised floor space was reduced, thereby lowering the ratio of raised floor space to the gross floor area.</p>	<p>We will be able to maximise the utilisation of the site's gross floor area by designing the floor-to-floor height according to our expectations and the requirements of a high-tier data centre building, thereby enhancing the ratio of total raised floor space to its gross floor area.</p>

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	<b>Converting an existing industrial building</b>	<b>Constructing a brand new building</b>
Existing building layout:	The alteration works that can be carried out within an existing industrial building is limited by its existing building layout. For instance, it may not be feasible or workable to remove or relocate some existing structural columns and walls. Constraint of such kind will limit the design and re-designation of the existing floor area of the existing industrial building for data centre use, thereby lowering the ratio of raised floor space to gross floor area.	We will be able to maximise the utilisation of the site's gross floor area by designing the layout according to any of our special design in accordance with our expectations and those requirements of a high-tier data centre building, thereby enhancing the ratio of total raised floor space to its gross floor area.
Expected construction time required:	Relatively shorter.	Relatively longer due to the carrying out of the foundation works.

We currently expect that our second data centre building with permissible gross floor area of approximately 98,000 sq. ft. will provide a total raised floor space of approximately 45,000 sq. ft.. The ratio of raised floor space to be built out of the permissible gross floor area of our second data centre building is much higher than that of the raised floor space built out of the gross floor area of the iTech Tower which was developed principally by converting an existing industrial building. The existing gross floor area of iTech Tower is approximately 189,975 sq. ft. with 53,200 sq. ft. of raised floor space.

However, it would take longer construction time to construct a brand new building compared with converting an existing industrial building in the development of a data centre building of similar scale because of the time required to be spent on foundation construction which is not applicable to converting an existing industrial building. We currently expect that the construction time of the phase one development of our second data centre building will be about 2 years and 5 months. Upon completion of this phase, it is expected that we can start offering raised floor space of approximately 15,000 sq. ft. at our second data centre building. Such can be compared with the development of our iTech Tower, where we took only approximately 12 months to build and convert the then existing industrial building and completed the associated A&A works and building services engineering works before handing the premises over to our first customer.

Further, in addition to taking into account the construction time mentioned above, there may be difference in construction costs in respect of the construction method to be adopted for the development of our second data centre building. For instance, the anticipated construction costs of our second data centre building, inclusive of the costs for the foundation works, superstructure works, electrical and engineering infrastructure, fitting-out works, staff costs and consultancy fees, is approximately HK\$5,357 per sq.ft. of gross floor area, which is higher than the construction costs of iTech Tower, being approximately HK\$3,379 per sq.ft. of gross floor area, to which foundation works was not applicable.

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The general building plans submitted by us have been approved by the Building Authority in May 2013. The construction works for the development of our second data centre building have commenced in July 2013 and the development is expected to be completed in around August 2016. The development of our second data centre building is intended to be completed in three phases. Phase one development is currently expected to be completed in around December 2015 and upon completion of the phase one development, it is expected that our second data centre building can start offering raised floor space of approximately 15,000 sq. ft.. Upon full operation of the second data centre building, we currently expect that it will provide total raised floor space of approximately 45,000 sq.ft. The following table sets forth the details of the phases of development of our second data centre building:

Phase	Expected time frame	Expected commencement date of operation	Estimated expenditure (HK\$)	Amount of expenditure incurred up to the Latest Practicable Date (HK\$)	Details of the construction works	Status as at the Latest Practicable Date
Land acquisition	N/A	N/A	Approximately 123.6 million	Approximately 123.6 million		Completed
One <sup>(Note 1)</sup>	July 2013 to December 2015	December 2015	Approximately 366.4 million	Approximately 2.9 million	<ul style="list-style-type: none"> <li>• Foundation works, construction of superstructure and installation of mechanical and electrical systems, such as chillers, generators etc. and fitting-out works in respect of the raised floor space of approximately 15,000 sq.ft.</li> <li>• Application of requisite approvals, consents or permits from government departments</li> </ul>	Construction works commenced in July 2013  Ongoing
Two <sup>(Note 2)</sup>	September 2015 to February 2016	March 2016	Approximately 96.0 million	Nil	<ul style="list-style-type: none"> <li>• Installation of mechanical and electrical systems and fitting-out works in respect of the raised floor space of approximately 15,000 sq.ft.</li> </ul>	N/A
Three <sup>(Note 2)</sup>	March 2016 to August 2016	September 2016	Approximately 96.0 million	Nil	<ul style="list-style-type: none"> <li>• Installation of mechanical and electrical systems and fitting-out works in respect of the raised floor space of approximately 15,000 sq.ft.</li> </ul>	N/A
<b>Total:</b>			Approximately 682 million			

*Note 1:* We currently expect that after the completion of phase one development, we will complete most works for obtaining the occupation permit from the Building Authority, and the building of the management office and central control room of the second data centre building will be completed.

*Note 2:* We currently expect that phases two and three development will commence after we have entered into agreements with some customers in relation to the leasing of the premises at our second data centre building.

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Below sets forth the expected milestone dates for developing our second data centre building according to our current development plan:

Milestones	2012		2013				2014				2015				2016			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Acquisition of land	■																	
Obtaining approval of general building plans from Buildings Department			●															
Obtaining approval of foundation plans from Buildings Department				●														
<b>Phase one development</b>																		
Foundation works					■													
Obtaining approval for installation of chimney for emergency generators from Environmental Protection Department						●												
Obtaining consent for commencement of building works from Buildings Department							●											
Construction of superstructure and installation of mechanical and electrical systems and fitting-out works								■										
Obtaining lease modification from Lands Department									●									
Obtaining Occupation Permit from Buildings Department												●						
Obtaining of Certificate of Compliance from Lands Department (Note)												●						
Obtaining licence for the storage of dangerous goods from Fire Services Department												●						
<b>Phase two development</b>																		
Installation of mechanical and electrical systems and fitting-out works													■					
<b>Phase three development</b>																		
Installation of mechanical and electrical systems and fitting-out works															■			

*Note:* The Lands Department may not issue such certificate if it finds it unnecessary to do so.

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We expect that the total development cost of our second data centre building will be approximately HK\$682 million, which mainly includes cost of acquisition of land, land premium payable for the purpose of lease modification, stamp duty, professional fees, construction costs and purchase of machinery and as at the Latest Practicable Date, the total capital expenditure incurred amounted to approximately HK\$126.5 million. The expected development cost of our second data centre building is lower than the actual development cost of iTech Tower of approximately HK\$778.2 million. This is mainly due to the reason that the expected gross floor area of the second data centre building of approximately 98,000 sq.ft. is less than that of the iTech Tower of approximately 189,975 sq.ft. Even though the land/building acquisition cost per sq.ft. and construction cost per sq.ft. have been increased, the expected development cost of our second data centre building is still lower than the actual development cost of iTech Tower.

We intend to use part of the net proceeds from the Share Offer as well as our bank loan and cash flows from our operations to fund the capital expenditure required for the development of our second data centre building. Out of the expected total development cost of approximately HK\$682 million for the development of our second data centre building, we intend to fund (i) approximately 84% by our bank loan; (ii) approximately 10% by cash flows from our operations, and (iii) approximately 6% by part of the net proceeds from the Share Offer. We have obtained from a bank a facility in the amount of HK\$570 million for the development of our second data centre building which is available for drawdown according to the construction phase of our second data centre building. As at the Latest Practicable Date, an amount of HK\$59 million has been drawn. Such loan facility will expire in 2017 and we plan to repay any outstanding amount primarily by internal generated funds and equity and/or debt financing if required. The drawdown of the above facility for the development of our second data centre building may progressively increase our gearing ratio and the funding of a portion of the development costs out of the cash flows from our operation will adversely affect our liquidity position. For further details, please refer to the section headed “Risk Factors” in this prospectus.



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We set out below the major requisite approvals, consents or permits for development of our second data centre building, the relevant authority primarily responsible for issuing such approval, consent or permit, the requirements to be satisfied before such approval, consent or permit is given or issued and the expected timeframe to obtain such approval, consent or permit:

Name of approval, consent or permit	Relevant authority primarily responsible for issuing such approval, consent or permit	Requirements to be satisfied before such approval, consent or permit is given or issued	Status of obtaining such approval, consent or permit as at the Latest Practicable Date	Expected timeframe to obtain such approval, consent or permit
Approval of general building plans	Buildings Department	The Buildings Department gives approval to building works upon being satisfied that standards of structural stability, safety and health prescribed under the Buildings Ordinance and regulations are met.	The general buildings plans submitted by us have been approved by the Building Authority in May 2013.	N/A
Approval of foundation plans	Buildings Department	The Buildings Department gives approval to foundation works upon being satisfied that standards of structural stability prescribed under the Buildings Ordinance and regulations are met.	The foundation plans have been approved by the Buildings Department in July 2013.	N/A
Approval for installation of chimney for emergency generators	Environmental Protection Department	The Environmental Protection Department may refuse to grant approval if it is not satisfied that the furnace, oven or chimney can be operated without: (a) causing or contributing to the existence or imminence of air pollution or emitting air; or (b) emitting air pollutant due to improper design, maintenance or operation.	We have not yet made the application at this stage. The application will be made after the generators specialist contractor is employed by us.	March 2014

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Name of approval, consent or permit	Relevant authority primarily responsible for issuing such approval, consent or permit	Requirements to be satisfied before such approval, consent or permit is given or issued	Status of obtaining such approval, consent or permit as at the Latest Practicable Date	Expected timeframe to obtain such approval, consent or permit
Consent to commencement of building works	Buildings Department	The Buildings Department may give consent to such commencement, subject to the satisfactory provision of precautionary measure to ensure the safety of buildings nearby the construction sites.	We have not yet made the relevant application. We will make such application after the foundation plans have been approved by the Buildings Department.	April 2014
Lease modification	Lands Department	We will be required to pay a premium reflecting the enhanced value of the property. The land premium payable by us for the lease modification, to be assessed by the Lands Department, will be an amount equivalent to the difference between the value of the land under the current lease conditions and its value under the proposed modified lease conditions. <i>(Note 1)</i>	We have made the application for lease modification to the Lands Department on 28 March 2013.	December 2014
Occupation Permit	Buildings Department	Before issuance of occupation permits, Buildings Department will consider the results of the sample tests on structural and fire resisting elements by the authorised person and registered structural engineer, and the result of Buildings Department's own general site inspections conducted upon receipt of applications for an occupation permit.	We have not yet made the relevant application. We will make such application after completion of construction of our second data centre building.	May 2015

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Name of approval, consent or permit	Relevant authority primarily responsible for issuing such approval, consent or permit	Requirements to be satisfied before such approval, consent or permit is given or issued	Status of obtaining such approval, consent or permit as at the Latest Practicable Date	Expected timeframe to obtain such approval, consent or permit
Certificate of Compliance	Lands Department	Upon application, the Lands Department will conduct site inspection to check that the completed building complies with the approved building plans and also comply with the government lease conditions. If the completed building is found to conform with approved plans and comply with the modified lease conditions, a certificate of compliance may be issued.	Application for a certificate of compliance will be made upon the completion of the construction of the building.	June 2015
Licence for the Storage of Dangerous Goods	Fire Services Department	When the fire safety requirements are fully complied with and the actual layout of the dangerous goods store conforms to the approved plans, the licence will be available for collection at the office upon full payment of the licence fee.	We have not yet made the relevant application. We will make such application after completion of construction of our second data centre building.	June 2015

*Note:*

- (1) The lease for the parcel of land on which our second data centre building will be erected was granted in form of New Grant. The term of the lease is for the residue of a term of 99 years less three days thereof commencing from 1 July 1898. Under and by virtue of Section 6 of the New Territories Leases (Extension) Ordinance (Chapter 150 of the Laws of Hong Kong), the said term will be extended until the 30 June 2047. The relevant New Grant contains certain restrictions as to the uses which the land and building may be erected. According to the terms of the New Grant, the land shall be used for general industrial and/or godown and no building shall be erected on the lot except a factory or a godown, ancillary offices and such canteen and other welfare facilities (but excluding residential quarters) for workman employed on the lot. As such, we have to apply for a lease modification from the Lands Department to relax the restriction on uses under the New Grant. If the lease modification application is approved, we shall be required to pay a premium reflecting the enhanced value of the property. Based on the Lands Department's current chargeable rate used for calculation of premium for changing of land use from industrial use to data centre use, we estimate that the land premium payable to be approximately HK\$5.6 million. According to the outline zoning plans published by the Town Planning Board, "information technology and telecommunication" is an "always permitted" use in the zone where the parcel of land of our second data centre building will be situated on.

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Based on our past experience in construction industry and development of our iTech Tower, our Directors are not aware of any material legal impediment to obtain the requisite approvals, consents and permits required for development of our second data centre building.

In order to ensure that all the conditions and requirements stipulated by the relevant authorities, such as Buildings Department, Lands Department, Environmental Protection Department and Fire Services Department, will be complied with during the construction process of our second data centre building, we have engaged professional advisers including architect, structural engineer, electrical and mechanical engineer and surveyor to make the necessary submissions to the relevant government authorities, for the purpose of obtaining the required approvals and/or consent and complying with the relevant conditions and requirements. Such professional advisers will conduct regular inspections to monitor the carrying out of the construction works so as to ensure that such works are carried out in accordance with the conditions and requirements stipulated by the relevant government authorities. Upon completion of the construction works, we will require the relevant professional advisers to report to the relevant government authorities and to arrange inspection by such authorities where necessary. Certificates to be issued by the relevant authorities which certify that the conditions and requirements stipulated by the relevant government authorities have been complied with will also be obtained by the professional advisers engaged by us.

If the obtaining of the abovementioned requisite approvals, consents or permits for development of our second data centre building is significantly delayed, we may need to extend the loan period of existing bank loan facilities for funding of the development of our second data centre building which may increase our finance costs. Delay in our expected development timetable may also delay our receipt of rental income from future customers that would bring adverse impact to our expected cash flow derived from data centre premises leasing business in the future. Our Directors are of the view that according to the current development plan, it is not necessary to increase funding by further bank borrowings unless the obtain of requisite approvals, consents or permits is significantly delayed.

As advised by the Counsel, so long as we satisfy the requirements of the relevant government authority and make payment of all applicable fees, there would not be any material legal impediment for us to obtain the requisite approvals, consents and permits required for development of our second data centre building. Furthermore, as advised by Prudential Surveyors Int'l Limited, the surveyor engaged by us, our application for lease modification in respect of the development of our second data centre building is rather standard and straight-forward, and it is unlikely that the lease modification would not be approved if the land premium is paid. In the event that the lease modification in respect of the development of our second data centre building is not approved by the Lands Department, we will submit appeal against such decision and further liaise with the Lands Department for the purpose of obtaining the lease modification approval and our current development plan of the second data centre building may be delayed. Please refer to the section headed "Risk Factors" in this prospectus for further details.

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### CUSTOMERS

#### Construction business

With our ability to offer quality construction services with competitive prices, we have a long established reputation in the construction industry in Hong Kong. In respect of our construction works, we focus on providing services to prominent local developers for the construction of residential properties. During the Track Record Period and up to the Latest Practicable Date, we have had 18 customers in respect of our construction business. In respect of our alteration, additions and fitting-out works, apart from local developers, throughout the years since our establishment we have also developed long-established working relationships with various institutions such as university. Most of our customers have had over 5 years working relationships with us. We maintain a good relationship with our customers in respect of our construction business. During the Track Record Period, we have not had any material disputes with our customers in respect of our construction business.

As we focus on providing construction services for prominent local developers and completed 32 construction contracts during the Track Record Period and up to the Latest Practicable Date, we had a small customer base in our construction business of a total of 18 customers during the same period. For the years ended 31 March 2011, 2012 and 2013, revenue from the top five customers of our construction business represented approximately 98.2%, 99.7% and 99.9% of our total revenue from our construction business, respectively. Since our construction business is project based, our customers portfolio is depending on the award of contract after our success in tender and we do not limit ourselves to provide construction services to only a few developers. Moreover, according to the Ipsos Report, the residential property market in Hong Kong is dominated by a small number of local developers. This limits our potential customer base and we considered that this situation is not specific to our Group given the market landscape in Hong Kong.

Set out below is a summary of typical key terms of our contracts with our customers in respect of the construction services provided by us:

- (a) *Scope of works and contract sum and period:* the scope of works and contract period of the construction project will be specified in our contracts with our customers. The construction contracts awarded to us during the Track Record Period and up to the Latest Practicable Date were lump sum fixed price contracts where a lump sum fixed price is specified in the contract for all of the construction works to be performed by us in accordance with its terms.
- (b) *Surety bonds:* our customers in residential property projects require us to provide surety bonds of up to 10% of the total contract sum issued by a bank in favour of our customers to guarantee satisfactory completion of the project. The surety bonds expire after the issuance of the certificate of practical completion.
- (c) *Progress payments:* we, in general, submit interim payment applications to customers on a monthly basis in respect of the value of work we have performed during the period, which is required to be certified by our customer's architects. Our customers shall then make such progress payments. A certain percentage of the contract value may be held by our customers as retention money.

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As for alteration, renovation and fitting-out works, which include projects of smaller amounts and shorter period, we normally request milestone payments throughout the contract and payment upon completion of the works, as the case may be.

- (d) *Retention money*: We receive payments for our projects in interim payments based on the progress of our work performed. Our customers are allowed to hold a portion of interim payments in the range of 5% to 10% of the respective interim payment as retention money to guarantee our work quality. The first stage of retention money is released to us upon completion of the construction project and the certificate of practical completion has been issued by the customers, while the remainder is released to us upon expiry of the defect liability period and the certificate of making good defects has been issued by our customers. During the Track Record Period, there have not been any incidents where our customers defaulted in their payment obligations to us.
- (e) *Defect liability period*: the customers would require a defect liability period, during which we are responsible to rectify works defects. The defect liability period is normally 12 months for alteration, renovation and fitting-out works and ranges from 12 months to 24 months for building construction projects.

Once defects are identified, we will, subject to the instructions of the customer or its architect, be responsible for rectifying the defects within a reasonable time. Where the defect requires rectification by our sub-contractors, such sub-contractors would bear all the costs in rectifying the defective works. During the Track Record Period, we have not been responsible for bearing the costs of the defective works.

No material claims have been brought against our Group by our customers in respect of defective works performed during the Track Record Period and up to the Latest Practicable Date.

- (f) *Liquidated damages*: our customers in residential properties projects are usually entitled to liquidated damages compensation if we fail to complete the works within the specified completion date. The liquidated damages are determined on a daily basis with reference to the schedule of fixed rates or a formula prescribed in the contract depending on its terms.

During the Track Record Period and up to the Latest Practicable Date, there had been no claim for liquidated damages against our Group by our customers. In addition, our Directors do not expect any material delay in completing the projects in progress as at the Latest Practicable Date which is likely to cause liquidated damages to be imposed on our Group.

- (g) *Termination*: our customers are entitled to terminate the contract under certain conditions, including but not limited to the suspension of the construction works by us without reasonable cause and our refusal or failure to comply persistently with the written notice from the architect engaged by the customer requiring us to rectify defective work or remove improper materials or goods.

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We, as the main contractor, are entitled to terminate the contract if the customer fails to pay to us any certified sum in accordance with the contract within the period specified. During the Track Record Period and up to the Latest Practicable Date, there had been no termination of construction contract either by us or our customers.

During the Track Record Period, the credit period of the payment of progress payment and the release of retention money generally ranges from 30 to 45 days.

### **Data centre premises leasing business**

The target customers of our data centre premises leasing business are multi-national corporations, which have their regional headquarters or offices in Hong Kong. These multi-national corporations often have their own data processing systems hardware, and require raised floor space with dedicated supporting facilities, infrastructure and redundant systems as well as high degree of security and reliability that are capable of complying with their specifications to accommodate their data processing systems for secured and uninterrupted data centre operations.

As at the Latest Practicable Date, we have entered into agreements with three customers in relation to the leasing of all the raised floor space at iTech Tower. These customers approached us for leasing of our premises themselves. Since the establishment of our iTech Tower, we have been working closely with our first customer, a multi-national data centre operator, which has been operating the data centre in the premises of our iTech Tower for the end-users which are financial institutions and a telecommunications company.

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The following sets forth the particulars of the agreements we entered into with our customers in relation to the leasing of the raised floor space at our iTech Tower:

Customer	Background of customer	Data centre	Approximate area of leased raised floor space (sq.ft.)	Date of commencement of tenancy	Lease term	Expiry date <sup>(Note 1)</sup>	Renewal option(s)	Cumulative occupancy rate <sup>(Note 2)</sup> (%)
A	Multi-national data centre operator with headquarters in Japan	1	6,200	1 March 2008	8 years (while the initial term of the agreement was 5 years, our customer exercised the option to renew the agreement in October 2012 for a further period of 3 years)	29 February 2016	Customer has an option to renew the agreement for a period of 3 years, and an option to renew for another period of 2 years.	11.7%
		5	20,800 (Note 3)	19 October 2009 (with 4 May 2010 being the go live date, which date represents the date on which the data centre was ready for use by the lessee)	10 years and 8 months	18 June 2020	Customer has an option to renew the agreement for a period of 5 years, followed by another option to renew for another 5 years, and an option to renew for a further 5 years.	88.3%
		6	6,200 (Note 3)	1 March 2011	5 years (from the commencement date)	29 February 2016	Customer has an option to renew the agreement for a period of 5 years.	100.0%
B	Telecommunications corporation with headquarters in the United States	2	4,400	22 May 2009	20 years	21 May 2029	N/A	19.9%
		3	5,200 (Note 3)	1 November 2009	10 years	31 October 2019	N/A	29.7%
C	Financial institution with headquarters in Switzerland	4	10,400	1 February 2010	10 years and 11 months	31 December 2020	Customer has an option to renew the agreement for a period of 3 years, and an option to renew for another 3 years.	49.2%

*Notes:*

- Based on the expiry date of the initial term under the respective agreements in the event that the customers have not yet exercised their rights (if any) to extend the term of the respective agreements prior to the expiry of the term.
- Calculation is based on the total leased raised floor space upon commencement of tenancy of the relevant customer and the total leaseable raised floor space of iTech Tower as at the Latest Practicable Date.
- This represents the additional raised floor space leased by an existing tenant.



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A summary of the usual key terms of our agreements with our customers are set out as follows:

- (a) *A&A works and building services engineering works:* we are typically given less than 12 months to complete the relevant A&A works and building services engineering works in accordance with our customers' requirements and specifications before handing the premises over. Technical specifications of the raised floor space required as well as details of the related A&A works and building services engineering works may also be set out in the agreement. If we fail to achieve completion of the A&A works and building services engineering works by the deadline as agreed between us and our customers, we are liable to our customers for liquidated damages to be calculated by the number of days of delay and our customers may have right to terminate the agreement with us in the event that there is a significant delay. Since the commencement of our data centre premises leasing business, we had not been liable for any liquidated damages to our customers in relation to delays in such A&A works or building services engineering works.
- (b) *Data centre service levels:* we are contractually obliged to maintain the service level as well as the availability and security of the data centre in accordance with the specifications set out in the agreement we entered into with the customers. If we fail to do so, our customer is entitled to reduce the monthly charges payable to us by a certain percentage, depending on the seriousness of the failure. There is usually a cap for such reduction limiting such reduction to no more than two months charges or 20% of the annual charges payable for any twelve month period.

There is no express provision in our agreements with our customers which stipulates that our customers are responsible for damage or loss with respect to their own hardware, data and software, or stipulates that we are responsible for damage or loss of the same. There are general clauses in the agreements with our customers which stipulate that if we are in breach of our obligations in the agreements with our customers, we are responsible to indemnify our customers against all claims, losses and damages. As such, if our customers' hardware, data and software are damaged or lost because we are in breach of our obligations in the agreements, we may be responsible to indemnify our customers' damages or loss in accordance with the contract terms.

Our Directors confirm that, during the Track Record Period and as at the Latest Practicable Date, there had been no damage or loss to the hardware, data and software owned by our customers at our data centre building which resulted in us being liable to make any compensation to our customers.

On the other hand, pursuant to certain agreements which we have entered into with our customers, we have leased our raised floor space to one of our customers where we acted as a sub-contractor of our customer in providing raised floor space and carrying out A&A works, and this customer sub-licensed the raised floor space to its licensees. We are not a party in the contracts entered into between our customer with its licensees and we have not entered into any agreement with this licensee. As at the Latest Practicable Date, there were two agreements involving a total raised floor space of approximately 27,000 sq.ft., representing approximately 50.8% of the total raised floor space in iTech Tower, are leased

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to our customers under such agreements where we acted as sub-contractor. We had not been held liable for any such claim against our customer by its licensees in relation to its licensees' use of the premises that our customer has leased from us. We have agreed with our customer that the maximum amount of liability for which we are liable for under these agreements will be 85% of the liability. Since we have entered into such agreements with our customer, we are largely responsible for any claims for damage, loss and/or expense arising against our customer under the data centre agreement it entered into with its licensees.

During the Track Record Period, there had not been any instances where our monthly charges were reduced due to our failure to maintain service level, availability or security in accordance with the specifications set out in the agreement we entered into with our customers.

- (c) *Term and renewal:* the term of the agreements for the leasing of our premises typically ranges from five to 20 years. Our customers are in general given the option(s) to renew the aforesaid agreement by way of a written notice to us, renewing for a term which varies from two to five years each time. The term of some of the agreements entered into with our customers are coterminous with the data centre service agreements entered into between our customers and their licensees that our customers are entitled to terminate their agreements with us in the event that their agreements with their licensees are terminated.
- (d) *Charges:* upon signing the agreement, our customers are required to make an advance payment. Thereafter our customers are required to pay quarterly or monthly charges. Our customers are responsible for fully reimbursing us for their actual power consumption charge plus an administrative fee.

Our monthly rental charges in respect of the leasing of our raised floor space range from approximately HK\$1 million to approximately HK\$3.6 million. The charges payable by our customers is determined on a case-by-case basis. Factors which would take into account in determining the rental charges include: (i) the area of raised floor space occupied by the relevant customer; (ii) length of the initial term of the agreement; (iii) scale of infrastructure, such as power supply system and security system required to ensure on-going compliance of service levels; and (iv) the complexity of the specifications and requirements, including any special request of our customers.

The payment of the monthly charges by one of our customers in relation to certain premises it rented is subject to its receipt of the corresponding amount from its licensees and our revenue derived from the leasing agreements entered into with such customer represented approximately 48.2% of our revenue attributable to our data centre premises leasing business during the Track Record Period. Since the commencement of our data centre premises leasing business, our customers have had a good payment record and there has not been any delay in their payment of charges due to any reason including their exercise of the right to withhold payment. Based on the information of the Rating and Valuation

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Department of the Hong Kong Government, calculating by gross floor area, the existing average rent received per square feet of iTech Tower is about 600% higher than the average rent per square feet of private flatted factories located in New Territories in May 2013.

The average monthly rental rate of raised floor space within iTech Tower for the years ended 31 March 2011, 2012 and 2013 was approximately HK\$157, HK\$160 and HK\$168 per sq.ft of raised floor space, respectively.

All of the agreements for the leasing of our raised floor space contain a rental revision clause, pursuant to which the rental charges will increase either annually, or after a certain period of time after commencement of tenancy, or upon exercise of the renewal option by the customer.

- (e) *Utility charges:* we are responsible for paying the electricity charges, and we will seek reimbursement from our customers on monthly basis subsequently by charging them administrative fee, which may either be a fixed amount or a certain percentage of the actual utility charges.
- (f) *Insurance:* we are responsible for taking out insurance covering risks such as those relating to the data centre building, the A&A works and building services engineering works within our data centre building, and public liability. The insurance coverage for property damage is normally in an amount equal to the reinstatement value of our data centre building.
- (g) *Alienation:* our customers are entitled to sub-let or sub-licence the premises leased from us or part of the premises to their affiliates or their licensees.

We understand that some of our customers have sub-let or sub-licensed part of the premises to their affiliates or their licensees. Although we are not a party to the agreements between our customers and their affiliates or licensees and therefore we do not have knowledge of the details of the sub-leasing arrangements between our customers and their affiliates or licensees, all our occupiers and end-users of the data centres in our data centre building are required to comply with our house-keeping rules, which expressly require compliance with and observance of all applicable laws.

- (h) *Reinstatement:* in the event that physical damage is caused to the premises leased to our customers, we are under contractual obligation to promptly repair and re-instate the same.
- (i) *Our maximum liability:* we have agreed with our customers a maximum amount of liability that we are liable for in relation to any breaches of the agreement by us. The maximum amount of liability is determined based on negotiation between the parties.

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- (j) *Termination*: the agreement may be terminated in certain circumstances by giving notice of termination, such as where there is a failure on our part to complete the A&A works or building services engineering works required before the premises is handed over to the customer as scheduled, or there is a failure to maintain our service level in respect of the data centre under the afore-mentioned agreement; or where there is a failure of our customer in making payments such as the monthly rent and utility charges.

Two of the agreements for the leasing of raised floor space within iTech Tower and a main contract between our customer and its licensee to which our Group is not a party (and our customer is entitled to terminate the sub-contracting agreement entered into with us in the event that the main contract is terminated) contain a termination clause allowing our customer or its licensee (where appropriate) to terminate the agreement without cause by giving 6-months to 12-months notice to our Group or our customer (where appropriate) after a certain period of time since commencement of tenancy, ranging from 5 years to 7 years. Our total revenue attributable to the rental income in connection with those agreements and sub-contracting agreement represented approximately 64.3% of our total revenue attributable to the rental income of our data centre premises leasing business during the Track Record Period. Given that our iTech Tower is a purpose-built data centre building, our Directors are of the view that it may not be easy for our existing customers to find a substitute premises should they decide to terminate the existing agreements with us. Our Directors are also of the view that it is unlikely that the existing customers will have sufficient incentive to justify the incurrence of cost to terminate the existing agreements with us and relocate to another data centre building.

Where the agreements for the leasing of our premises which we are acting as the sub-contractor, such agreements usually stipulate that the agreements will be terminated upon termination of the main contract.

We will continue to maintain good relationships with our existing customers in respect of our data centre premises leasing business. During the Track Record Period, there had not been material breaches of any of the agreements under which our raised floor space is leased and we did not have any material disputes with our customers in respect of our data centre premises leasing business.

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### The top five customers

The following table sets forth the background of our top five customers in terms of revenue and their respective years of relationship with our Group as at the Latest Practicable Date:

No.	Background of customer	Being one of the top five customers of our Group			Length of relationship as at the Latest Practicable Date (number of years)
		for the year ended 31 March 2011	for the year ended 31 March 2012	for the year ended 31 March 2013	
Customer 1	Property developer (construction business)	√			6
Customer 2	Property developer (construction business)	√			12
Customer 3	Property developer (construction business)	√	√	√	3
Customer 4	Telecommunications corporation (business of leasing of data centre premises)	√	√	√	4
Customer 5	Multi-national data centre operator (business of leasing of data centre premises)	√	√	√	5
Customer 6	Property developer (construction business)		√	√	6
Customer 7	Academic institution (construction business)		√		8
Customer 8	Financial institution (business of leasing of data centre premises)			√	3

Revenue from the top five customers of our Group for the years ended 31 March 2011, 2012 and 2013, including four prominent local property developers and one academic institution who are customers from our construction business, as well as one telecommunications corporation, one multi-national data centre operator and one financial institution who are customers from our data

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centre premises leasing business, in aggregate accounted for approximately 88.6%, 94.3% and 97.4% of our total turnover, respectively. Revenue from our top customer for the years ended 2011, 2012 and 2013, being a prominent local developer and a customer of our construction business, accounted for approximately 54.5%, 69.7% and 61.2% of our total turnover of the respective years.

None of our Directors, their respective associates and the existing shareholders who own more than 5% of the issued share capital of our Company had any interest in any of our top five customers.

### SUPPLIERS

#### Construction business

During the Track Record Period, our suppliers include sub-contractors of construction work and suppliers of construction materials.

##### *Sub-contractors*

We delegate most of our construction works including steel bar fixing, concreting, plastering and mechanical and electrical works to our sub-contractors and focus on quality control and overall project management. We enter into sub-contracting agreements with our sub-contractors of our construction works. For further details regarding our sub-contracting arrangement with sub-contractors including selection and monitoring of sub-contractors, major terms of sub-contracting agreement and credit period for payment, please refer to the paragraph headed “Sub-contracting” in this section.

##### *Suppliers of construction materials*

The major construction materials that we use include reinforcement steel and concrete. We enter into supply agreements with our suppliers for major construction materials after we are awarded a construction contract. We assess the amount and timing of construction materials required in the particular project and procure the relevant amount when needed depending on the progress of works and specific requirements of each project. Therefore, we do not keep excess inventory and do not maintain a minimum inventory level.

We strive to obtain high-quality construction materials for the provision of our construction services. Depending on the total purchase value of the construction materials, we normally seek quotations from two to five qualified potential suppliers before entering into supply agreements with them. With such practice, we are able to enhance our price bargaining power and to avoid over-reliance on a single supplier. All materials required by us for completing a project are purchased by our purchase department.

Apart from those suppliers nominated by our customers, we maintain an approved list of suppliers which is updated annually. In determining whether to include a supplier in our approved list, we take into account a number of criteria: (a) its financial condition; (b) its track record in respects of its on time delivery; and (c) quality of materials. We will only appoint suppliers who can satisfy all of our criteria.

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The credit period granted by our suppliers ranges from 1 month to 3 months, depending on the value of the materials in question. Payment is generally made by cheque. Over the years we have been working closely with our material suppliers and have maintained good relationships with them. Nonetheless our Directors believe that we do not depend on any of our material suppliers as they are easily replaceable in Hong Kong. During the Track Record Period, we have not encountered any material difficulties in sourcing materials and we have not experience any significant delay in delivery of construction materials by our suppliers causing disruption of our works.

### **Data centre premises leasing business**

We strive to obtain high quality facilities, such as backup batteries, generators and chillers, for equipping the data centre building developed by us. We normally seek quotations from at least two to five qualified potential suppliers before we enter into supply contracts for the supply of facilities. With such practice, we are able to enhance our bargaining power on price and to avoid over-reliance on a single supplier.

As at the Latest Practicable Date, we had maintained business relationships with our major suppliers for over four years. We choose a supplier based on a number of criteria: (a) its track record in serving similar customers; (b) its track record in respect of its on-time delivery; (c) technological competence.

The credit period granted by our suppliers is usually 1 month, depending on the value of the goods. Payment is generally made by cheque.

### **Top five suppliers**

For the years ended 31 March 2011, 2012 and 2013, our Group's sub-contracting fees amounted to approximately HK\$177.2 million, HK\$753.8 million and HK\$463.5 million, respectively, representing approximately 48.6%, 80.1% and 73.2% of our direct costs incurred, respectively. For the years ended 31 March 2011, 2012 and 2013, our Group's construction materials cost amounted to approximately HK\$85.0 million, HK\$65.6 million and HK\$28.4 million, respectively, representing approximately 23.3%, 7.0% and 4.5% of our direct costs incurred, respectively.

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The following table sets forth the background of our top five suppliers and their respective years of relationship with our Group as at the Latest Practicable Date:

No.	Background of supplier	Being one of the top five suppliers of our Group			Length of relationship as at the Latest Practicable Date (number of years)
		for the year ended 31 March 2011	for the year ended 31 March 2012	for the year ended 31 March 2013	
Supplier 1	Sub-contractor of mechanical and electrical works		√	√	5
Supplier 2	Supplier of reinforcement steel	√			12
Supplier 3	Supplier of concrete	√			12
Supplier 4	Sub-contractor of formworks	√			13
Supplier 5	Sub-contractor of reinforcement steel fixing	√			5
Supplier 6	Sub-contractor of electrical installation	√			5
Supplier 7	Sub-contractor of curtain wall works		√		2
Supplier 8	Sub-contractor of electrical installation		√		11
Supplier 9	Sub-contractor of plumbing and drainage works		√		7
Supplier 10	Sub-contractor of stone cladding works		√	√	8
Supplier 11	Sub-contractor of fitting-out works			√	3
Supplier 12	Sub-contractor of electrical appliances			√	7
Supplier 13	Sub-contractor of kitchen cabinets			√	8



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For the years ended 31 March 2011, 2012 and 2013, purchases from the top five suppliers of our Group, who are sub-contractors or suppliers of construction material, accounted for approximately 42.4%, 42.9% and 42.8%, respectively, of our total purchases, whereas purchases from the top supplier of our Group for the years ended 31 March 2011, 2012 and 2013, who are sub-contractors or suppliers of construction material, accounted for approximately 15.4%, 15.6% and 17.3%, respectively, of our total purchases. We recorded a high percentage of purchases from our top five suppliers during the Track Record Period and most of the top five suppliers for the years ended 31 March 2011, 2012 and 2013 were suppliers in the Welfare Road (superstructure) project which commenced in late 2010. Due to the relatively large contract sum of approximately HK\$1,515 million of this project, the amount of purchases made from the suppliers for this project was substantial for the years ended 31 March 2011, 2012 and 2013, resulting in the high percentage of purchases from our top five suppliers during these periods.

None of our Directors, their respective associates, or the existing shareholders of our Company who, to the knowledge of the Directors, own more than 5% of our issued share capital has any interest in any of our top five suppliers. We did not have any outstanding material disputes with our existing suppliers during the Track Record Period.

### QUALITY CONTROL

Quality control is essential for our business. We believe that the only way to achieve and maintain a high-quality standard is to establish a comprehensive and effective quality control system with clear and established procedural guidelines in respect of our data centre premises leasing business and the relevant standards in respect of our construction services.

### Construction business

In pursuit of quality, we have implemented the IMS, which consists of the procedures prescribed under ISO9001:2000. Our IMS has been certified by Certification Asia Limited, an Independent Third Party and a recognised certification authority, as complying with ISO9001:2008, ISO14001:2004 and OHSAS 18001:2007 which is subject to external audit conducted by Certification Asia Limited every 6 months. Quality control measures under our IMS include, without limitation, the following:

- the establishment of quality objectives for individual functional division of our Group. In establishing the quality objectives, we will communicate with our customers from time to time in order to understand the overall perception of our customer for individual projects and any of our customers' complaints, compliments and feedback will be collected and taken into account;
- the monitoring of the quality and works progress of our sub-contractors. Such is implemented by the day-to-day site supervision, inspection and testing activity carried out by our project management team for the relevant construction project for the purpose of ascertaining if our service provided conform to the standard as expected by our customers;
- the monitoring of the implementation of the IMS and achievement of the quality objectives. In this regard, internal audit is carried out every six months by the quality assurance division of our Group for the purpose of assessing the extent to which the construction

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works have been carried out in accordance with the requirements of the IMS, and quality objectives have been achieved. All the personnel of the quality assurance division possess either the qualification of a professional engineer or a degree in construction management, and all of them possess at least 20 years of experience in the construction industry;

- the requirement of mock-up sample for examination of workmanship in respect of particular trades such as the installation of hardwood doors and door frames, which sample shall be reviewed and approved by us, in order to ensure that the level of workmanship satisfies the requirements of our customers;
- the establishment of sample flat to set the required level of workmanship on the basis of the requirements of our customers;
- in-process inspections and testing on site in various stages of construction to ensure compliance with the specifications under the construction contracts; and
- the control of the quality records. It is our policy to maintain records such as inspection and test records, submissions, approvals, completion acknowledgement, etc. for at least five years. The approval of any Director is required for access to any such records.

Our quality assurance division is primarily responsible for overseeing and reviewing our Group's IMS and updating our Group's quality manual whenever necessary. Our quality assurance division will also monitor the effective implementation of the IMS.

Our project manager is responsible for monitoring the quality of work on-site and the work progress to ensure that the construction work performed meets our customers' requirements and is completed according to the schedule. Since we delegate most of our construction works to our sub-contractors, our Directors consider that an effective control over the quality of work performed by our sub-contractors is crucial to our success in the construction industry. Our project management team will discuss any quality related issues identified with our sub-contractors during the regular meeting, which is held every two weeks, with them. Our project management team will also instruct our sub-contractors to rectify any defective work identified during our routine site inspection and visits, or testing of their work as soon as practicable. We may also remove the sub-contractor from our list of approved sub-contractors if we are not satisfied with the construction work performed by such sub-contractor. To ensure that the quality of the construction materials we used in our projects meet the quality standard and requirements of our customers, save for those materials that we are required to procure from the suppliers specified by the customers under the respective contracts, we procure construction materials from the suppliers on our approved list of suppliers. We will also from time to time engage third party laboratories to conduct sample tests on the construction materials delivered to our site.

In recognition of our quality service, our Group has received a number of awards in the past. For details of our awards relating to our quality service, please refer to the paragraph headed "Awards and accreditations" in this section.

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During the Track Record Period and up to the Latest Practicable Date, there were no significant delays in the delivery of the projects and no major complaints from customers regarding the quality of our works.

### **Data centre premises leasing business**

In order to ensure the quality in respect of our data centre premises leasing business, we have in place a computerised building management system to assist us in the monitoring of the daily operations of the facilities in relation to our iTech Tower. The building management system will regularly generate reports covering irregularities, if any, and will generate a comprehensive monthly report at the end of each month. In the event that any incident takes place, we will be alerted immediately and we will accordingly notify our customers as soon as practicable. We will provide each of our customers with the results of the aforesaid monthly report on a monthly basis and discuss with them where necessary, and our personnel responsible for daily monitoring and maintenance of iTech Tower will take remedial actions immediately if any irregularities are reported to exist.

Apart from utilising the above building management system, our personnel responsible for the operation of iTech Tower also meet once monthly to review the operation and management of the same. Furthermore, suppliers of facilities at iTech Tower will provide regular maintenance for the aforesaid facilities.

During the Track Record Period, we have not received any material complaints from customers regarding the quality of performance of our data centre facilities.

### **SAFETY**

We are committed to providing a safe and healthy working environment for the benefit of our staff and the sub-contractors and reducing the risk of accidents and occurrence of non-compliance with statutory provisions in relation to work safety (as further particularised in the paragraph headed “Legal proceedings and compliance” in this section). In this regard, we have implemented the IMS which consists of OHSAS 18001:2007. Safety measures under our IMS include, without limitation, the following:

- the preparation of a safety plan for individual project which sets out the method for hazard identification, as well as risk assessment and control in respect of both routine and non-routine site activities as well as facilities and properties on site;
- a safety director to monitor the implementation of safety management system for our Group. In this respect, we have established a safety committee, currently comprising Mr. Yuen Ying Wai (who is a Director and chairman of safety committee), Mr. Au-Yeung Yiu Wai (who is our project manager, safety director and a director of Grand Tech Construction), Mr. Yick Tze Kai (who is our senior project manager since 2007 and our site safety advisor) and an external consultant (who is a representative of an external safety consultancy firm engaged by us) to oversee the implementation of the safety management system for our Group as well as to review the site safety policy and procedures from time to time and make recommendations for improvement thereon. For further details on the

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background and qualifications of these personnels, please refer to the paragraph headed “Additional measures to enhance the internal control measures on proper implementation of safety measures” of this section and the section headed “Directors and senior management” (for the background and qualifications of Mr. Yuen and Mr. Au Yeung) in this prospectus; and

- the formation of an individual site safety committee for each individual project, which is chaired by project manager, to monitor the implementation of safety management system with participation of sub-contractor representatives for each project. Meetings of the site safety committee are held in each month.

On the basis that the accidents occurred during the Track Record Period were minor in nature and the accident rate of our Group was comparable to the average accident rate in the local construction industry, our Directors believe that, and the Sole Sponsor concurs that, the safety committee is effective in maintaining and promoting a safe and healthy environment for the workers at our construction sites.

Nevertheless, during the Track Record Period, there had been occurrence of personal injuries accidents to our employees and our subcontractors’ employees and we failed to comply with certain laws and regulations to take adequate precautionary measures to ensure health and safety of employees at work. For details of these accidents and non-compliances, please refer to the paragraph headed “Legal proceedings and compliance” of this section. Our Directors are of the view that the accidents and incidents of non-compliance with statutory provision in relation to work safety during the Track Record Period and up to the Latest Practicable Date were mainly attributable to the lack of safety and health awareness amongst the employees (and our sub-contractors’ employees) and insufficient control measures on proper implementation of safety measures. For example, we have been convicted as a result of our subcontractors’ employees failing to make full and proper use of eye protectors, suitable goggles or effective screens despite such protective equipment are available at our work places.

### **Measures to improve the employees’ awareness on work safety**

With an aim of improving the safety and health awareness amongst the employees (and our sub-contractors’ employees), our Group has adopted a number of preventive measures to reduce the risk of accidents and occurrence of non-compliance with statutory provisions in relation to work safety, examples of which are set out as follows:

- to display safety guidelines in prominent places at construction sites;
- to arrange a project safety officer to devise a safety plan for each construction project and to carry out regular safety inspections at the construction sites;
- to provide annual training to all staff of our Group, including the Directors, on safety, which covers the updates on the recommendations of the Labour Department, to enhance the knowledge of the Directors and staff of our Group and enable them to keep abreast of any development on the relevant laws, rules and regulations relating to safety;

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- to provide safety induction training for all employees (and sub-contractors' employees) before they can commence work on site;
- to provide regular training sessions to all employees (and sub-contractors' employees) such as fire drills and chemical leak drills;
- to provide training sessions specifically targeting at areas where accidents have occurred previously, such as proper use of protective gear, safety information on working at heights and the use of lifting appliances;
- to organise site safety committee meetings, which committee is chaired by the project manager, with our sub-contractors every month;
- to organise seminars for all employees (and sub-contractors' employees) which focus on safety for specific types of works and activities, such as safe lifting, working at height, and proper use of safety gear, on a regular basis to enhance safety and health awareness amongst employees;
- to conduct regular site inspections and visits every week to ensure compliance with statutory provisions by all labours (and sub-contractors' employees); and
- to arrange for the conduct of risk assessment for major works by safety officers before commencement of such works in order to identify hazards and methods to control any risk.

As a reward for the pursuit of safety, we have started an incentive scheme from 2007 awarding a bonus of HK\$100,000 to staff in construction project if no summons from the government authorities are issued for breach of laws, rules and regulations in relation to safety in that project.

### **Additional measures to enhance the internal control measures on proper implementation of safety measures**

To further enhance the internal control measures on proper implementation of safety measures, recently, we have additionally introduced and adopted the following measures to further reduce the risk of accidents and occurrence of non-compliance with statutory provisions in relation to work safety:

- since June 2012, our safety officers shall prepare a site incident report for the project director and quality manager on a monthly basis. Based on the information in the site incident report, our management, the project director and quality manager will review our safety measures and will implement additional safety measures if it is determined that any incident occurred was a result of deficiency in our safety measures. Our Directors will also hold meetings every three months to review and discuss the site incident reports and monitor the compliance with safety measures at the construction sites;
- since October 2012, ad-hoc site safety inspections by the project director were introduced which requires the project director to conduct site safety inspections at least once a month.

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During the site safety inspections, a checklist setting out safety requirements will be gone through by the project director. The checklist will be signed by the project director if the safety measures are satisfactorily implemented. Photos will also be taken during the site safety inspection for record purposes;

- since December 2012, we have adopted the policy of recruiting additional site safety supervisor, with at least two years of working experience as safety supervisor in the construction industry, to assist our project director and safety officers to enforce and execute safety measures and guidelines on site. In particular, the safety supervisor will be involved in (i) maintenance of site safety including conducting random and regular on-site inspections; (ii) assistance in (a) preparing risk assessment, (b) conducting safety inspection, (c) providing safety training, (d) preparing safety plan, (e) compiling accident report and (f) following up with the Labour Department for safety issues. As at the Latest Practicable Date, our Group has recruited one site safety supervisor;
- we have designated Mr. Yick Tze Kai, our senior project manager since 2007 and a member of our safety committee, as our site safety advisor since March 2013. The role of Mr. Yick as our safety advisor is to share his many years of experience as project manager to assist the other members of our safety committee and the Board to review our current construction site safety policy and procedures and give suggestions for improvement. The board of directors of Grand Tech Construction holds meetings every three months with Mr. Yick to discuss and recommend the steps to be taken to enhance the safety measures at the relevant construction site. He is also responsible, together with other members of our safety committee, to monitor and oversee the implementation of our construction site safety policy and procedures and report to the board of directors of Grand Tech Construction on a monthly basis;
- we have assigned our project director to be responsible for reminding all the site staff from time to time on the importance of site safety since January 2013 and to reinforce the importance of our site safety and health procedures. The foreman and assistant foreman have been notified and reminded of the implementation of safety measures in the works they are responsible for. The performance of the implementation of safety measures by the foreman and assistant foreman will be reviewed in their annual appraisal by directors of Grand Tech Construction. Unsatisfactory performance in this regard may result in disciplinary action. During the Track Record Period and as at the Latest Practicable Date, no disciplinary actions have been taken against the foreman and assistant foreman; and
- we reviewed the composition of the safety committee from time to time to include additional expertise in order to strengthen the performance of the safety committee. In May 2013, we designated Mr. Yuen Ying Wai as the new chairman of the safety committee and Mr. Yick Tze Kai and an external consultant as the new members of the safety committee. Mr. Yuen has over 30 years of experience in the construction industry and Mr. Yick is a registered and qualified building surveyor since 1985 and also has over 30 years of

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experience in the construction industry. The external consultant (who is a representative of an external safety consultancy firm engaged by us) has been a registered safety officer since 1987 and a registered safety auditor and has over 15 years of experience in providing safety consultancy services.

Since the implementation of the above additional measures in June 2012 and as at the Latest Practicable Date, as confirmed by our Directors, save for 11 accidents resulted in minor injuries (which injuries involved twisted ankle, laceration on finger, contusion of hand, pinched toe and torn finger ligament), there has been no accident which resulted in death or severe bodily injury to our employees or our subcontractors' employees and no conviction in relation to non-compliance with statutory provision in relation to work safety had occurred. Our Directors are of the view that taking into account of the duration of the periods from the commencement of the Track Record Period to May 2012 and from June 2012 to the Latest Practicable Date, the number of accidents occurred at our Group's construction sites were in a decreasing trend after the implementation of the above additional measures in June 2012. Measures to further reduce the risk of accidents and occurrence of non-compliance with statutory provisions in relation to work safety will be reviewed regularly by the project director and the management of our Group.

Further, upon Listing, we will engage internal control advisers to review our internal control systems and will engage external advisers to review our measures and mechanisms on safety on a regular basis.

The aforementioned measures are designed specially to further enhance safety and health awareness amongst the employees (and sub-contractors' employees) and further enhance the supervision on proper implementation of safety measures. As such, particularly on the basis that since the implementation of the above additional measures in June 2012 and as the Latest Practicable Date, there has been no conviction in relation to non-compliance with statutory provision in relation to work safety had occurred, our Directors are of the view, and the Sole Sponsor concurs, that our preventive measures are adequate and effective in reducing the risk of accidents and occurrence of non-compliance with statutory provisions in relation to work safety and in ensuring that, going forward, all laws and regulations on safety relevant to our Group's construction business will be duly observed and complied with.

As we are generally liable for any potential employees compensation claims and personal injuries claims made by the employees of our sub-contractors arising from works injuries, the aforementioned preventive measures are also applicable to and carried out on our sub-contractor's employees in addition to our employees. We also require our sub-contractors to abide by all legislation, codes and guidelines as well as safety requirements as stated in our safety guidelines. Our project management team members communicate with our sub-contractors to ensure that they understand our safety requirements and the relevant laws, rules and regulations before each of them commences works at our construction site. The content of our safety guidelines are also communicated by our staff to employees of our sub-contractors during the safety meetings which are normally held every month.

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Set out below are examples of the aforesaid safety guidelines:

- safe operation and maintenance procedures for plant, machinery and equipment (including but not limited to regular checking);
- provision, use and maintenance of personal protective equipment (including but not limited to safety helmets, ear protectors during the operation of the relevant works);
- safety procedures for working at height (including but not limited to the design of working platforms);
- fire precautionary measures (including but not limited to storage of inflammable materials);
- safety procedures for emergencies (including but not limited to precautionary measures under typhoon warnings and rainstorm warnings); and
- procedures for reporting hazards, accidents and disease.

In the event that there is non-compliance with our safety guidelines on the part of the sub-contractors, a pre-determined charge will be imposed on the sub-contractor in question. Where the non-compliance by the sub-contractor is of a dangerous nature, a warning notice may be issued by our project team to the relevant sub-contractor, and the works to be carried out by the sub-contractor in question may be suspended until the deficiency is rectified to our satisfaction. We may even terminate the agreement with the sub-contractor where there is repeated non-compliance.

Below is a table comparing the construction industry average rate against our Group with regards to accident rate per 1,000 workers and fatality rate per 1,000 workers for the calendar years indicated:

	<b>In construction industry</b>	<b>Our Group's construction sites</b> <small>(Note 2)</small>
<b>2009</b> <small>(Note 1)</small>		
Accident rate per 1,000 workers	54.6	51.8
Fatality rate per 1,000 workers	0.376	—
<b>2010</b> <small>(Note 1)</small>		
Accident rate per 1,000 workers	52.1	59.9
Fatality rate per 1,000 workers	0.163	—
<b>2011</b> <small>(Note 1)</small>		
Accident rate per 1,000 workers	49.7	30.1
Fatality rate per 1,000 workers	0.367	—
<b>2012</b> <small>(Note 1)</small>		
Accident rate per 1,000 workers	44.3	36.9
Fatality rate per 1,000 workers	0.337	—



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*Note 1:* Occupational Safety and Health Statistics Bulletin Issue No.13 (June 2013) published by Occupational Safety and Health Branch of the Labour Department.

*Note 2:* Our Group's accident rate is calculated as the number of occurrences during the respective calendar year divided by the daily average number of construction site workers in our Group's construction sites during the respective calendar year. Our Directors confirmed that such basis of calculation is comparable to that of the industry and the Labour Department uses similar basis of calculation in calculating accident rate. The daily average construction site workers include all our site staff and employees of our sub-contractors.

During the Track Record Period and up to the Latest Practicable Date, a total number of 42 accidents occurred at our Group's construction sites, 23 of which resulted in an outstanding, settled or potential civil claim or litigation against our Group. Please refer to the paragraph headed "Legal proceedings and compliance" of this section for further details regarding the civil claims and litigations against our Group.

We have in place an internal policy setting out the procedures on the reporting, handling and recording of accidents and injuries occurred in our construction site. The major procedures are set out below:

- upon occurrence of an accident, the accident and any injuries will be reported to our project manager and safety officer. Where there is serious injury, the accident will be reported to the safety director at once. Photos will be taken by the safety officer at the accident scene and he will also gather all the relevant information of the accident;
- within two days after occurrence of the accident, the superiors of the injured person (if he/she is an employee of our subcontractor) must submit the details of the injured persons and his/her employer to our safety officer;
- within seven days after we became aware of the occurrence of the accident, the project manager and the safety officer will jointly prepare the investigation report and submit to director of Grand Tech Construction;
- our safety officer and director of Grand Tech Construction will then jointly report details of the incident to our insurer as soon as possible. Our policy is to submit notification of the accident to the Labour Department in accordance with the Employees' Compensation Ordinance within 14 days after become we aware of the occurrence of the incident and in the case of fatal accident, we submit notification to the Labour Department in accordance with the Employees' Compensation Ordinance within 7 days after we become aware of the occurrence of the incident; and
- training in respect of the cause of the incident and recommendations set out in the investigation report will be provided to the injured person and related employees.

During the Track Record Period and up to the Latest Practicable Date, we have not encountered any fatal construction accident on construction sites for which we were responsible as a main contractor and have not suffered from any removal, suspension, downgrading or demotion of our

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qualifications or licences. Also, there was no early termination of any of the agreements between our Group and our sub-contractors. During the Track Record Period, our Group has reported all the work-related accidents and injuries to the relevant authorities and no penalty, conditions or specific safety requirement have been imposed by these authorities after the reporting.

### ENVIRONMENTAL MATTERS

We are subject to environmental laws and regulations of Hong Kong. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions, water pollution, waste and dangerous goods.

#### Construction business

Construction works, including those works relating to our construction projects and the A&A works of data centres, inevitably have an impact on the environment and our construction business is subject to certain laws and regulations in relation to environmental protection. Please refer to the section headed “Regulations” in this prospectus for further information about such laws and regulations. We have obtained all the required permits and approvals for the projects carried out by us during the Track Record Period. Our Directors believe that it is essential for us to act as an environmentally responsible main contractor to meet the customers’ demands in environmental protection and the expectation of the community for a health living environment and in return it will ensure the healthy growth and sustainable development of our business.

We have established an integrated management system which includes ISO14001:2004 (please refer to the paragraph headed “Quality control” of this section for further details of our integrated management system). Set out below are examples of our environmental measures from our integrated management system:

- the IMS manager shall be responsible for identifying the environmental aspects;
- the project manager shall monitor all site operations which have significant environmental impact on a regular basis; and
- all the measurements related to the aforesaid performance shall be recorded.

Our project management team will make regular site visits to ensure the general compliance by our sub-contractors regarding the relevant environmental laws and regulations of Hong Kong. Furthermore, during the course of our sub-contractors’ work on our construction sites, we will provide with them our guidelines in relation to environmental issues and meetings would be held with our sub-contractors from time to time to update their knowledge on such issues.

#### Data centre premises leasing business

Although we do not operate in a highly pollutive industry in respect of our data centre premises leasing business, in order to continue to keep pollution at a minimal level, apart from complying with the procedures as set out in our integrated management system during the course of implementation of the construction works, the use of environmentally-friendly equipment continues to be an integral

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part of our data centre premises leasing business. We have adopted alternative hot and cold aisle arrangements in relation to the layout and containment of racks, used motion sensors for lighting control and LED lights for the whole iTech Tower, all of which is designed to reduce energy consumption. We will continue to use energy-saving equipment as well as modular configuration in the operation of our data centre premises leasing business so as to improve the efficiency in energy usage.

During the Track Record Period, we did not breach any material environmental protection laws and regulations and were not subject to any material claim or penalty in relation to environmental protection.

### AWARDS AND ACCREDITATIONS

Throughout the years of operation of our construction business, we have obtained various awards and recognition in the past. Set forth below is the highlight of some of the awards and certifications:

<b>Year Awarded/ Valid period</b>	<b>Award/Certificate</b>	<b>Awarding Authority/Accrediting Body</b>
2011	Certificate for compliance with the requirements of ISO 14001:2004 environmental management system standard applicable to construction of buildings, building activities to keep, restore and improve the facilities of buildings and surroundings.	Certification Asia (HK) Limited
2011	Certificate for compliance with the requirements of ISO 9001:2008 quality management system standard applicable to construction of buildings, building activities to keep, restore and improve the facilities of buildings and surroundings.	Certification Asia (HK) Limited
2010	Quality Building Award 2010 — Certificate of Merit Hong Kong Residential Category	The Organising Committee of Quality Building Award
2010	Certificate for compliance with the requirements of OHSAS 18001:2007 occupational health and safety management systems specification applicable to construction of buildings, building activities to keep, restore and improve the facilities of buildings and surroundings.	Certification Asia (HK) Limited

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<b>Year Awarded/ Valid period</b>	<b>Award/Certificate</b>	<b>Awarding Authority/Accrediting Body</b>
2008	Quality Building Award 2008 — Certificate of Finalist Special Awards Category Heritage	The Organising Committee of Quality Building Award

### INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group has registered or applied for registration of several trademarks in Hong Kong and the PRC. For further details, please refer to paragraph headed “9. Intellectual property rights of our Group” of the section headed “Statutory and General Information” in Appendix V to this prospectus.

As at the Latest Practicable Date, our Group has two registered domain names. For further details, please refer to paragraph “9. Intellectual property rights of our Group” of the section headed “Statutory and General Information” in Appendix V to this prospectus.

Please refer to the paragraph headed “Intellectual property rights of our Group” of the section headed “Statutory and General Information” in Appendix V to this prospectus for further details of intellectual property rights.

### EMPLOYEES

As at the Latest Practicable Date, we had a total of 140 full-time employees that were directly employed by our Group. The following table shows a breakdown of our employees by function as at the Latest Practicable Date:

<b>Function</b>	<b>Number of employees</b>
Management	4
Accounts, administration and human resources team	12
Construction project team	115
Leasing of data centre premises team	9
<b>Total</b>	<u>140</u>

Most of our employees have been working for us for at least ten years. Our staff receive training on a regular basis to enhance their technical knowledge including technical knowledge on engineering, industry quality standards, safety standards and customer sales skills. We constantly carry out staff evaluations to assess their performance.

We maintain good working relationships with our staff. Our Directors believe that our working environment and corporate culture, benefits as well as the promotion prospect and opportunities offered to our employees have contributed to promising staff relations and retention. As at the Latest Practicable Date, we have not experienced any strikes or any labour disputes with our staff which had a material effect on our business.

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### INSURANCE

In respect of our construction business, we take out and maintain contractor's all risks insurance for the entire construction project when acting as the main contractor. The insurance policy generally covers the entire contract period and covers all relevant works performed by us as the main contractor and all the sub-contractors.

In general, our contractor's all risks insurance covers the following:

- (i) loss or damage to the permanent and temporary works constructed and erected, or in the course of construction or erection, in performance of the construction contract for which we are responsible under the construction contract. The amount of coverage equals to the contract sum of the respective construction contract;
- (ii) loss or damage to properties of third parties, or bodily injury suffered by third parties arising from the performance of works by us. The amount of coverage equals to HK\$30 million per incident;
- (iii) indemnity for professional fees, including fees for architects, surveyors and consulting engineers necessarily incurred in the reinstatement of the damaged permanent or temporary works constructed or erected in performance of the construction contracts.

In addition, we take out and maintain employees' compensation insurance, generally with the coverage of a maximum amount of approximately HK\$200 million per incident that is in compliance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) to cover compensation and costs liable by our Group for personal injuries of our own employees and employees of our sub-contractors in the course of their employment with us or with our sub-contractors in respect of the relevant construction project.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group has taken out and maintained insurance policies in respect of contractors' all risks for the projects in which members of our Group act as a main contractor and employees' compensation for the relevant employees in accordance with the applicable laws and regulations and relevant contractual terms. Our Directors further confirm that the insurance policies in respect of employees' compensation cover the employees of our Group's sub-contractors and further sub-contractors down the tiers. For the years ended 31 March 2011, 2012 and 2013, the total insurance cost for projects amounted to approximately HK\$20.8 million, HK\$0.5 million and HK\$19.8 million, respectively.

We maintain insurance policies from third parties independent of our Group for both construction business and our data centre premises leasing business with respect to property and equipment covering various kinds of losses. In respect of our data centre premises leasing business, it is intended that customers are to be responsible for damage or loss with respect to their own hardware, data and software.

We have taken out various insurance policies for iTech Tower. The properties insurance policy covers the damages or loss to the building and all plant, machines and equipment at iTech Tower. The

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accidental damage insurance covers the loss of rent in respect of iTech Tower in the event that iTech Tower is unfit for occupation in consequences of destruction or damage. The office insurance covers business interruptions, employee compensation in respect of iTech Tower. We have also taken out public liability insurance policy for iTech Tower.

During the Track Record Period and up to the Latest Practicable Date, we did not make any claim in respect of the insurance taken by us for iTech Tower.

### MARKETING

To increase our competitiveness and solidify our Group's market position in both the industry of leasing of data centre premises and construction industry, we adopt a multi-faceted marketing strategy which markets and promotes our brand for our relevant business, namely, "iTech Tower" for our data centre premises leasing business and "Grand Tech" for our construction business, and foster customers' brand loyalty. We promote the aforesaid brands by maintaining our website <http://www.grandming.com.hk>, which serves as an effective platform to promote our brand image. We also regularly contact our customers for feedback on the services provided by us, so that we can better understand our customers' views and respond to their feedback effectively.

### COMPETITION

#### Construction business

We consider long-standing construction companies operating in Hong Kong which act as a main contractor and provide quality and similar service as ours to be our competitors in the provision of construction services. Despite the introduction of the authorised signature system for general construction companies which resulted in a drastic decrease in the number of qualified construction companies, the competition in the Hong Kong construction industry has intensified in the past few years due to the substantial decline in new projects.

The following table sets out the total number of contractors in possession of the relevant licences / qualifications as at the Latest Practicable Date:

<b>Qualifications or licences</b>	<b>Number of contractors in possession of the relevant licences or qualifications</b>
Registered general building contractors for any building works and street works which are not designated by the Building Authority as a category of specialised works	641
Building (New Works) Group NW1 (Probationary)	19
Approved contractor for public works (Buildings) Group B (on probation)	46

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We believe our competitive strength lies with our long established reputation in the industry, our proven track record, the leadership of our experienced management team, the quality service we offer and our good relationships with the developers. We also benefit from the high barriers to entry in terms of brand recognition and set-up costs, since a construction company will generally be required to invest an initial amount equivalent to approximately 25% to 30% of the contract sum into a construction project. In view of the increasing demand for high-end residential properties and the increasing land supply from the Hong Kong Government, which will drive the demand for new building construction according to the Ipsos Report, our Directors are confident of the future development of the construction industry in the coming five years and we are committed to continue providing quality services.

### **Data centre premises leasing business**

The principal competitive factors of data centre premises leasing business include service availability, reliability and security. We are facing competition from local and international service providers of leasing of data centre premises, according to Ipsos Report, there were about 31 providers of leasing of data centre premises and about 46 data centre buildings in Hong Kong in 2012.

According to the Ipsos Report, the Hong Kong Government has been strongly encouraging the set up of data centres by multinational enterprises. There may be more competitors in respect of our data centre premises leasing business in near future. However, our Directors believe that we have moved into this market before other such potential competitors and have already started to develop a reputable standing for the quality and value of the premises within our iTech Tower and have established stable relationship with our clients who are renowned financial institution and a telecommunication company and a multi-national data centre operators. Further, with our Group's success in the construction industry, we benefit from high barriers to entry in terms of brand recognition, expertise in construction and alteration, capital intensiveness in relation to the set-up costs for data centre buildings and the related facilities, and the choice of appropriate location to develop a data centre building with tailor-made raised floor space for high-tier data centres.

## **PROPERTIES**

Details of our properties are set out in Appendix III to this prospectus.

As at the Latest Practicable Date, we owned three parcels of land including:

- (i) two parcels of land with a total site area of approximately 21,658 sq. ft., located in Tsuen Wan, Hong Kong, on which our existing data centre building, iTech Tower, is erected. The iTech Tower with total gross floor area of approximately 189,975 sq. ft. erected on these two parcels of land are solely owned by us through a subsidiary of our Group; and
- (ii) the TCP Land with a total site area of approximately 10,340 sq.ft. located in Kwai Chung for the development of our second data centre building. Please refer to the paragraph headed "Development of our second data centre building" of the section headed "Business" and the section headed "Future plans and use of proceeds" in this prospectus for further details.

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Colliers International (Hong Kong) Limited, an independent property valuer, has valued the property interests of our Group as at 31 May 2013. Details of the valuation and the text of the letter, summary of values and valuation certificate from Colliers International (Hong Kong) Limited are set forth in the section headed “Property Valuation” in Appendix III to this prospectus.

### LEGAL PROCEEDINGS AND COMPLIANCE

Save as disclosed in this prospectus below, our Directors have further confirmed that, during the Track Record Period and up to the Latest Practicable Date, our Group has complied with all applicable Hong Kong laws and regulations for our business activities and operations in all material aspects.

#### Civil legal proceedings

Even though our accident rates were comparable to that in the local construction industry from 2009 to 2012 (as further illustrated in the paragraph headed “Safety” of this section), occurrence of personal injuries to our employees is still inevitable. During the Track Record Period and as at the Latest Practicable Date, our Group has been or is involved in a number of civil claims, litigation and potential claims against our Group in relation to our construction business which include employees’ compensation claims under the Employees’ Compensation Ordinance and personal injuries claims under common law against our Group. Set out below are the details of the major outstanding and potential civil claims and litigations against our Group as at the Latest Practicable Date and the major civil claims and litigations against our Group settled (whether by way of court judgment or out of court settlement) during the Track Record Period and up to the Latest Practicable Date (the “**Claims**”):

Category of claims	Nature of claims	No. of claims	Total amount claimed (for outstanding claims)/settled (for settled claims)	Insurance coverage
1. Major outstanding civil claims and litigation against our Group as at the Latest Practicable Date	Employees’ compensation claims and personal injuries claims	18 ( <i>Note 1</i> )	16 of these claims are being dealt with and handled by the insurers directly or through the insurers’ solicitors. For six claims which we or our insurers have been served on court documents containing information on the amount of the claim by the claimants, the aggregated amount of claims as stated in the relevant court documents is approximately HK\$10.1 million plus interest thereon. For other ten claims, as the amount of claims are not stated in the court document or we and our insurers have not been served any court documents containing information on the amount of the claim from the claimants, the claim amounts in these claims are unknown as at the Latest Practicable Date.  Two other claims (which are not dealt with by the insurer or its solicitors) arose from the same accident. One of which is we were claimed by the claimant in the amount of approximately HK\$170,000. For the other claim, as we have not been served any court documents containing information on the amount of the claim by the claimant, the claim amount in this claim is unknown as at the Latest Practicable Date.	All of these claims are currently expected to be fully covered by insurance, except for two claims arising from the same accident. ( <i>Note 2</i> )



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Category of claims	Nature of claims	No. of claims	Total amount claimed (for outstanding claims)/settled (for settled claims)	Insurance coverage	
2.	Major potential civil claims and litigation against our Group as at the Latest Practicable Date	Employees' compensation claims and personal injuries claims	21	As such injured persons have not yet filed claims with particulars, we are not in a position to assess the likely quantum of such potential claims.	All of these claims are currently expected to be covered by insurance. <i>(Note 3)</i>
3.	Major civil claims and litigation against our Group settled (whether by way of court judgment or out of court settlement) during the Track Record Period and up to the Latest Practicable Date	Employees' compensation claims and personal injuries claims	18	The settlement sum of the claims as the settlement sums are usually reached between the insurers and claimants by way of out of court settlement or consent order of the Court. According to the information provided by our insurers brokers or the solicitors of these respective claims, the total settlement sum of these claims was approximately HK\$7.99 million.	All of these claims are currently expected to be fully covered by insurance. <i>(Note 2)</i>

*Notes:*

- (1) For particulars of each of the major outstanding civil claims and litigations against our Group as at the Latest Practicable Date, please refer to the paragraph headed "Particulars of outstanding civil claims and litigations against our Group as at the Latest Practicable Date" of this section.
- (2) Our Directors are of the view that those outstanding and potential claims and litigation (except for two claims arising from the same accident) are expected to be fully covered by the relevant insurance policies because:
  - (a) our outgoings in similar cases settled during the Track Record Period and up to the Latest Practicable Date have been fully recovered from the insurers;
  - (b) we have not been liable to pay any insurance excess for these claims and litigation;
  - (c) the claim amounts stated in the relevant court documents are less than the amount insured;
  - (d) the insurer is either negotiating a settlement with the claimant directly or having its solicitors handling the legal proceedings for us; and
  - (e) as at the Latest Practicable Date, we have not received notice from the insurers that they will not provide indemnity for any claims.

As these claims are expected to be fully covered by the insurance policies (except for an employee compensation case with claim amount of approximately HK\$170,000 and the personal injury claim arose from the same accident with claim amount unknown as at the Latest Practicable Date), our Directors are of the view that these claims, in aggregate, will not have any material impact on operational and financial aspects of our Group. We are not covered by any insurance policy for the aforementioned employee compensation case and personal injury claim because we were not aware of the accident and the claimant has not informed us that he has suffered injury in an accident in our construction site and therefore, we have not notified the insurer immediately after the accident. As a result, when we reported the accident to the insurer after we have received the court documents in respect of the claims, the insurer refused to provide indemnity for this claim because of late notification of the accident.

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- (3) We set out below information of the major potential claims against our Group during the Track Record Period and up to the Latest Practicable Date:

Number	Date on which the injury was alleged to have been sustained	Whether the injured was an employee of Grand Tech Construction or employee of our sub-contractors at the material time	Name(s) of potential defendant(s)/ respondent(s)	Details of accident/ injury
Incident 1	12 May 2012	Employee of Grand Tech Construction	Grand Tech Construction	Injured whilst lifting or carrying object (knee sprain and strain)
Incident 2	6 April 2012	Sub-contractor's employee	Grand Tech Construction and a sub-contractor	Slipped and fell (forehead and bodily abrasion)
Incident 3	3 April 2012	Employee of Grand Tech Construction	Grand Tech Construction	Injured by material handling (back sprain and strain)
Incident 4	1 April 2012	Sub-contractor's employee	Grand Tech Construction and a sub-contractor	Striking against moving objects (finger contusion and bruise)
Incident 5	17 February 2012	Sub-contractor's employee	Grand Tech Construction and a sub-contractor	Slipped and fell on objects (hand laceration and cut)
Incident 6	10 January 2012	Sub-contractor's employee	Grand Tech Construction and a sub-contractor	Injured whilst lifting or carrying object (knee contusion and bruise)
Incident 7	14 November 2011	Employee of Grand Tech Construction	Grand Tech Construction	Struck by moving or falling object (head, arm and hip bruise and cut)
Incident 8	24 October 2011	Sub-contractor's employee	Grand Tech Construction and a sub-contractor	Spilled by plastering mixture (arm burn)
Incident 9	12 October 2011	Employee of Grand Tech Construction	Grand Tech Construction	Injured whilst lifting or carrying object (foot bruise)
Incident 10	14 September 2011	Sub-contractor's employee	Grand Tech Construction and a sub-contractor	Struck by moving or falling object (face and abdomen bruise)

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Number	Date on which the injury was alleged to have been sustained	Whether the injured was an employee of Grand Tech Construction or employee of our sub-contractors at the material time	Name(s) of potential defendant(s)/ respondent(s)	Details of accident/ injury
Incident 11	18 August 2011	Sub-contractor's employee	Grand Tech Construction and a sub-contractor	Struck by moving or falling object (back contusion and bruise)
Incident 12	23 June 2011	Sub-contractor's employee	Grand Tech Construction and a sub-contractor	Fall from height of about 1 metre (finger and ankle abrasion, bruise and sprain)
Incident 13	13 October 2011	Employee of Grand Tech Construction	Grand Tech Construction	Injured whilst lifting or carrying object (back sprain and strain)
Incident 14	15 August 2012	Employee of Grand Tech Construction	Grand Tech Construction	Injured whilst lifting or carrying object (pinched finger)
Incident 15	29 December 2012	Employee of Grand Tech Construction	Grand Tech Construction	Fell from height of 0.5 metre (finger ligament injury)
Incident 16	22 January 2013	Sub-contractor's employee	Grand Tech Construction and a sub-contractor	Injured whilst lifting or carrying object (finger cut)
Incident 17	15 March 2013	Sub-contractor's employee	Grand Tech Construction and a sub-contractor	Trip and fell on same level (ankle sprain)
Incident 18	6 September 2012	Employee of Grand Tech Construction	Grand Tech Construction	Injured whilst handling material (laceration on finger)
Incident 19	24 October 2012	Employee of Grand Tech Construction	Grand Tech Construction	Slipped and fell (twisted ankle)
Incident 20	2 November 2012	Employee of Grand Tech Construction	Grand Tech Construction	Striking against closing door (pinched toe)
Incident 21	7 December 2012	Employee of Grand Tech Construction	Grand Tech Construction	Contact with moving machinery (laceration on hand)

As we have not received any court document from the potential claimants of the above major potential claims as at the Latest Practicable Date, we do not have information on the claim amount of these potential claims.

Those potential claims either (a) arose from an accident which has occurred but no claim has been made against our Group and we assess whether a claim may be made based on the extent of the injury sustained by the injured person,

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our communication with the injured person subsequent to the accident and whether the injured person has resumed work subsequent to the accident; or (b) constitute personal injury claim under common law which may follow after the employee's compensation claim under the Employees' Compensation Ordinance which has previously been made and are currently outstanding or have been settled as the limitation period of three years from the date of the relevant accident has not yet expired. The damages awarded under common law claims shall be reduced by the value of the compensation paid or payable under the Employees' Compensation Ordinance in any event these claims arose from the same accident. Those potential claims occurred at the construction sites where the relevant insurance policies are in place. Hence, the Directors are of the view that those potential claims are likely to be covered by insurance.

### Particulars of outstanding civil claims and litigations against our Group as at the Latest Practicable Date

Set out below is the brief information of the major outstanding claims and litigations against our Group as at the Latest Practicable Date:

Number	Whether the claimant was an employee of Grand Tech Construction or employee of our sub-contractors at the material time	Name(s) of defendant(s)/ respondent(s)	Date on which the injury was allegedly to have been sustained	Amount/estimated quantum of damages claimed	Detail of accident/injury
Case 1	Employee of Grand Tech Construction	Grand Tech Construction	27 December 2008	Not available. <i>(Note 1)</i>	Injured whilst lifting or carrying object (lower back pain and injury)
Case 2	Employee of Grand Tech Construction	Grand Tech Construction	27 December 2008	Not available. <i>(Note 1)</i>	Arose from the same accident as Case 1 above
Case 3	Employee of Grand Tech Construction	Grand Tech Construction	27 December 2008	Not available. <i>(Note 1)</i>	Injured whilst handling equipment (lower back pain and injury)
Case 4	Employee of Grand Tech Construction	Grand Tech Construction	27 December 2008	Not available. <i>(Note 1)</i>	Arose from the same accident as Case 3 above
Case 5	Employee of Grand Tech Construction	Grand Tech Construction	10 January 2010	Not available. <i>(Note 1)</i>	Injured whilst lifting or carrying object (lower back pain and injury)
Case 6	Employee of Grand Tech Construction	Grand Tech Construction	10 January 2010	Not available. <i>(Note 1)</i>	Arose from the same accident as Case 5 above
Case 7	Employee of Grand Tech Construction	Grand Tech Construction	5 March 2010	Approximately HK\$170,000.	Injured whilst lifting or carrying object (lower back pain and injury)
Case 8	Employee of Grand Tech Construction	Grand Tech Construction	5 March 2010	Not available. <i>(Note 1)</i>	Arose from the same accident as Case 7 above
Case 9	Sub-contractor's employee	Grand Tech Construction and a sub-contractor	9 January 2010	To be assessed by the Court in accordance with the Employees' Compensation Ordinance.	Fell from height (ankle fracture)
Case 10	Sub-contractor's employee	Grand Tech Construction and a sub-contractor	9 January 2010	HK\$2,542,802.14 plus interest.	Arose from the same accident as Case 9 above
Case 11	Employee of Grand Tech Construction	Grand Tech Construction	23 March 2009	HK\$215,998 plus interest.	Injured whilst lifting or carrying object (back injury)
Case 12	Employee of Grand Tech Construction	Grand Tech Construction	20 November 2009	HK\$1,910,912.29 plus interest.	Injured whilst working on ladder (back injury)
Case 13	Sub-contractor's employee	Grand Tech Construction and two other sub-contractors	2 March 2010	HK\$296,973 plus interest.	Fell from height (ankle fracture)

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Number	Whether the claimant was an employee of Grand Tech Construction or employee of our sub-contractors at the material time	Name(s) of defendant(s)/respondent(s)	Date on which the injury was allegedly to have been sustained	Amount/estimated quantum of damages claimed	Detail of accident/injury
Case 14	Employee of Grand Tech Construction	Grand Tech Construction	25 February 2010	HK\$2,224,529.46 plus interest.	Fell from height of 1 metre (knee sprain)
Case 15	Employee of Grand Tech Construction	Grand Tech Construction	1 August 2009	Not available ( <i>Note 1</i> )	Injured whilst lifting and carrying object (hand and foot fracture)
Case 16	Employee of Grand Tech Construction	Grand Tech Construction	4 May 2011	HK\$2,871,163.91 plus interest.	Injured whilst working on platform which suddenly fell down for one floor level (foot fracture and back injury)
Case 17 ( <i>Note 2</i> )	Employee of Grand Tech Construction	Grand Tech Construction	13 October 2011	To be assessed by the Court in accordance with the Employees' Compensation Ordinance.	Injured whilst lifting and carrying object (back sprain)
Case 18	Employee of Grand Tech Construction	Grand Tech Construction	26 June 2010	Not available ( <i>Note 1</i> )	Slipped and fell (back, right knee and right forearm injuries)

*Notes:*

- (1) Neither us or our insurer has received any court documents containing information on the amount of the claim from the plaintiff.
- (2) We have not received a written confirmation from the relevant insurer as this is a recent claim and the insurer is negotiating a settlement with the claimant directly rather than through its solicitors. This is an employee's compensation claim under the Employees' Compensation Ordinance. The personal injury claim under common law may follow as the limitation period of three years from the date of the relevant accident has not yet expired. The potential personal injury claim has been disclosed as Incident 13 in the table in note 3 of the paragraph headed "Civil legal proceedings" of this section.

All of the outstanding claims and litigations set out above are still in progress and have not been settled. All of these outstanding claims and litigations are currently expected to be covered by insurance and are being dealt with and handled by the insurers and/or its solicitors, except for two claims arising from the same accident (namely, Case 7 and Case 8). Except for Case 7, Case 8 and Case 18, there is a written confirmation by the relevant insurer for each of these claims of its taking over of the proceedings.

During the Track Record Period, we have not incurred any legal costs for the Claims.

Our Directors are of the view that these claims generally arose from two major causes, (1) accidents due to lack of safety and health awareness amongst the employees (and our sub-contractors' employees); and (2) insufficient control measures on proper implementation of safety measures.

We take workplace safety seriously and are committed to providing a safe and healthy working environment. With a view of reducing the number of employees' compensation claims and personal injuries claims against our Group made by employees who alleged to have suffered from injuries during their course of employment, our Group has adopted a number of measures to improve the safety and health awareness amongst the employees (and our sub-contractors' employees) and enhance the internal control measures on proper implementation of safety measures. For example, amongst 18

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major outstanding civil claims against our Group as at the Latest Practicable Date, 14 claims arose out of injuries suffered as a result of slipped and fell from height or whilst lifting or carrying object and our Directors believe that the nature of work undertaken by our employees in the construction sites may expose them to a relatively higher risk of injuries as compared to other works in the construction sites as we, being a main contractor, delegate most of the construction works to our sub-contractors and most of our employees at the construction sites are general labour workers with moving heavy items such as clearing of construction debris as one of their main duties. To prevent these accidents and to enhance the safety and health awareness amongst the employees, one of our measures is to organise seminars for all employees (and sub-contractors' employees) which focus on safety when working at height and safe lifting on regular basis. Moreover, we provide training sessions on proper use of safety gear such as anti-slippery footwear and safety harnesses and lifting appliances to remind all employees (and our sub-contractors' employees) on the importance of proper use of safety gear and lifting appliances in preventing accidental slips and falls from height and injuries as a result of lifting or carrying objects. Falling objects were another major cause of injury of employees. During the Track Record Period and as at the Latest Practicable Date, 8 major claims arose out of injuries suffered as a result of the injured person being struck by moving or falling objects. To enhance the safety and health awareness amongst the employees, training sessions are provided to all employees (and our sub-contractors' employees) on the proper procedures in tearing down construction debris at height and the importance of wearing safety gear such as helmets to reduce the risk of severe injuries. To ensure that our safety measures are properly implemented, our safety supervisor will conduct random inspections and monitor all employees on the use of proper safety gear when working at height and lifting appliances are used when necessary. To prevent objects falling from heights in our construction sites, our safety supervisors carry out regular inspections at the construction sites to inspect whether proper procedures in tearing down construction debris at height have been carried out, identify potential risks where objects falling from heights might occur and setup fenced off zones to prevent falling objects from striking any person. Senior management of our Group also conduct site safety inspections regularly to review the effectiveness of our safety measures on preventing objects falling from heights in our construction sites. Please refer to the paragraph headed "Safety" of this section in this prospectus for these measures implemented by our Group.

In view of: (1) our Group's liabilities under the outstanding and potential employees' compensation claims and personal injuries claims are currently expected to be covered by insurance (except for two claims arising from the same accident. For details, please refer to Item 1 of the table above); and (2) the Controlling Shareholders have entered into the Deed of Indemnity, the Directors are of the view that the Claims have no material financial and operational impact on our Group. Thus, no provisions were made during the Track Record Period for the Claims.

Save as disclosed above, our Directors are not, to the best of their knowledge, aware of any civil litigation proceedings pending or threatened against us which could have a material adverse effect on our financial condition or results of operations.

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### Non-compliance matters of our Group during the Track Record Period and as at the Latest Practicable Date

During the Track Record Period and as at the Latest Practicable Date, our Group had been or is involved in a number of non-compliance matters which relate to: (i) annual general meeting; (ii) accounts; (iii) Companies Registry filing; (iv) construction business; and (v) data centre premises leasing business. As at the Latest Practicable Date, there is no outstanding criminal proceedings against our Group. Set out below is a summary of the non-compliance matters of our Group during the Track Record Period and as at the Latest Practicable Date:

Type of non-compliance	Relevant section(s) of the ordinance/regulation	Brief summary of the non-compliance	Cause of the non-compliance	Possible legal consequences and maximum/actual penalty	Whether provisions have been made	Rectification actions
Non-compliance in relation to annual general meeting	Section 111 of the Companies Ordinance	The first annual general meeting of Wellford Properties was not held within 18 months after its incorporation on 7 May 2006.	During the material period, our Group companies did not have a company secretarial department with relevant working experience to handle company secretarial matters and to ensure compliance with the Companies Ordinance.	The company and every officer of the company who is in default shall be liable to a fine of HK\$50,000.	No ( <i>Note 1</i> )	Wellford Properties applied to the Court of First Instance of the High Court of Hong Kong on 7 September 2012 for an order to rectify such non-compliance. On 9 November 2012, an order was granted by the High Court of Hong Kong to rectify the non-compliance. Going forward, our Group will adopt the rectification measures set out in the paragraph headed "Corporate governance measures to prevent recurrence of non-compliance with the Companies Ordinance and non-compliance in relation to our data centre premises leasing business" of this section to prevent recurrence of non-compliance with the Companies Ordinance.
Non-compliance in relation to accounts	Section 122 of the Companies Ordinance	Grand Tech Construction held its first annual general meeting on 31 August 1996, but failed to lay its profit and loss accounts and balance sheets at its first annual general meeting.	Same as above	Each director of the company shall be liable to a fine of HK\$300,000 and 12-month imprisonment.	Same as above	Grand Tech Construction applied to the Court of First Instance of the High Court of Hong Kong on 7 September 2012 for an order to rectify such non-compliance. On 9 November 2012, an order was granted by the High Court of Hong Kong to rectify the non-compliance. Going forward, our Company will adopt the rectification measures set out in the paragraph headed "Corporate governance measures to prevent recurrence of non-compliance with the Companies Ordinance and non-compliance in relation to our data centre premises leasing business" of this section to prevent recurrence of non-compliance with the Companies Ordinance.

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Type of non-compliance	Relevant section(s) of the ordinance/regulation	Brief summary of the non-compliance	Cause of the non-compliance	Possible legal consequences and maximum/actual penalty	Whether provisions have been made	Rectification actions
Non-compliance in relation to filing at the Companies Registry	Sections 92, 95, 119A, 158 and 158A of the Companies Ordinance	Grand Tech Construction and Wellford Properties, have inadvertently breached the regulatory requirements relating to the filing of notifications with the Companies Registry within the prescribed time limit. <i>(Note 2)</i>	Same as above	<p>For breaches of the regulatory requirements relating to the filing of notifications in relation to secretary and directors, a fine of HK\$10,000 and a daily default fine of HK\$300 for continued default;</p> <p>For breaches of the regulatory requirements relating to the filing of notifications in relation to location of registers, a fine of HK\$25,000 and a daily default fine of HK\$700 for continued default (for register of members), and a fine of HK\$50,000 and a daily default fine of HK\$700 for continued default (for register of directors and minute books).</p>	No <i>(Note 3)</i>	Relevant filings at the Companies Registry have been made. Going forward, our Company will adopt the rectification measures set out in the paragraph headed “Corporate governance measures to prevent recurrence of non-compliance with the Companies Ordinance and non-compliance in relation to our data centre premises leasing business” of the section to prevent recurrence of non-compliance with the Companies Ordinance.
Non-compliance in relation to construction business (convicted)	Sections 6A(1), 6A(2)(a) and 6A(3) of the Factories and Industrial Undertakings Ordinance, Regulations 38B(1), 43, 48(1)(b), 68(1)(a), 68(2)(b) and 68(2)(g) of the Construction Sites (Safety) Regulations, Regulations 7(b) and 9(1) of the Factories and Industrial Undertakings (Protection of Eyes) Regulations	Please refer to the table in Note 4 below.	These convictions are mainly related to failure to take adequate precautionary measures to ensure health and safety of employees at work and our Directors are of the view that they were generally due to lack of safety and health awareness amongst the employees and insufficient control measures on proper implementation of safety measures.	Please refer to the table in Note 4 below.	All the fines imposed have been settled.	To reduce the risk occurrence of non-compliance with statutory provisions in relation to work safety, we have adopted a number of preventive measures as set out in the paragraph titled “Safety” in this section. Our Directors are of the view that our Group’s accident rate per 1,000 workers and fatality rate per 1,000 workers are comparable to the average for the construction industry and that our Group has not encountered any fatal construction accident on construction sites during the Track Record Period and as at the Latest Practicable Date are attributable to the measures we have adopted for the purpose of enhancing safety standard and avoiding work related accidents. We have adopted the safety measures to reduce the risk of accidents and occurrence of non-compliance with statutory provisions in relation to work safety as further particularised in the paragraph titled “Safety” in this section.



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Type of non-compliance	Relevant section(s) of the ordinance/regulation	Brief summary of the non-compliance	Cause of the non-compliance	Possible legal consequences and maximum/actual penalty	Whether provisions have been made	Rectification actions
Non-compliance in relation to construction business	Sections 58(7)(a), (b)(i) and (b)(ii) of the Construction Workers Registration Ordinance	Failure to include site staff directly employed by us in the daily attendance record containing information of the registered construction workers in a construction site for a period of 19 months (from October 2010 to June 2012) and subsequently failed to include those site staff directly employed by us in the weekly site daily attendance report submitted to the Registrar of Construction Workers	The site staff employed by our Group have only updated their timecards but forgotten to update their attendance in the weekly site daily attendance report.	The principal contractor or controller who fails to comply with section 58(7)(a), (b)(i) and (b)(ii) without reasonable excuse shall be liable to a maximum fine of HK\$10,000.	No ( <i>Note 5</i> )	We have designated our quality manager Mr. Koo Chung Wai since August 2012, to be responsible for monitoring our employees at our construction sites to ensure that they have updated their record of attendance as required by the Construction Workers Registration Ordinance. Mr. Koo holds a bachelor degree in construction management and has over 20 years of working experience in the construction industry.
Non-compliance in relation to data centre premises leasing business	Section 24 of the Buildings Ordinance	Order by the Building Authority to demolish unauthorised building works dated 10 January 2009	The unauthorised building works already existed when we purchased the then existing industrial building which was later converted into our iTech Tower. In the course of our examination of the title of the property at the time of purchase, there was no building order registered in the Lands Registry. The unauthorised building works involved is a metal frame attached to the external wall of our iTech Tower and was deemed as unauthorised building works by the Building Authority.	Failure to comply with an order shall be liable on conviction (a) to a fine of HK\$200,000 and to imprisonment for 1 year; and (b) to a fine of HK\$20,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.	No ( <i>Note 6</i> )	We have carried out the rectification works to rectify the unauthorised work in October 2012 and we have notified the Buildings Department that we have completed such rectification works. The Building Authority has withheld further enforcement action and withdrawn its orders on 15 November 2012. Going forward, we will engage professional such as registered architects and external legal advisers to check and ensure that any existing building or structural works at the premises of our data centre building comply with the relevant laws and regulations.

*Notes:*

- (1) On the basis that the non-compliance was merely inadvertent and was not wilful, the Directors understand and Joseph C.T. Lee & Co., the legal advisers of our Company who acted for Grand Tech Construction and Wellford Properties in these applications, advised that, while the grant of a court order in relation to sections 111 and 122 of the Companies Ordinance may not by itself bar enforcement by the Companies Registry to penalise our Group of possible offences arising from past defaults, the likelihood of its occurrence is low given that the grant of court order by the High Court of Hong Kong mentioned above were made based on its acceptance of the explanations as set out in the affirmations submitted for the applications. Accordingly, no provision has been made in our Group's financial statements as the likelihood of enforcement by the Companies Registry to penalise our Group for possible offences arising from past defaults is low and the financial impact of penalties is not material.

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- (2) Failure to file the following notifications within a prescribed timeframe as specified in the Companies Ordinance:
- (a) notification of first secretary and directors by Wellford Properties in March 2006 and July 2006;
  - (b) notification of change of secretary and director by Grand Tech Construction in August 1997, June 2003, March 2006 and August 2007 and Wellford Properties in July 2006 and August 2007;
  - (c) notification of change of particulars of secretary and director by Grand Tech Construction in May 1996, July 1996, August 1997, August 1999, August 2000 and March 2008 and Wellford Properties in March 2008;
  - (d) notification of situation and change of registered office by Grand Tech Construction in August 1995 and Wellford Properties in March 2006; and
  - (e) notification of location of registers by Grand Tech Construction in March 2006.
- (3) As to the non-compliance of late filings relating to company secretarial matters with the Companies Registry, although the discretion to prosecute falls entirely on the Companies Registry and the Companies Ordinance specifies the relevant level of fines, we understand from the Counsel that the Companies Registry does not prosecute each and every case of late filings or levy penalties. As advised by the Counsel, even if the Companies Registry chooses to prosecute the relevant Hong Kong subsidiaries, with reference to the daily penalty rate imposed by the Court at their discretion for similar breaches in the past, the risk of imposing the aggregate penalties of more than HK\$1,000,000 is a low one. Therefore, our Directors consider such amount is not material to our Group's combined financial statements. In addition, our Controlling Shareholders have given an indemnity in favour of our Group in this connection. Accordingly, no provision for the penalties has been made by our Directors for the preparation of the financial information.
- (4) Criminal convictions during the Track Record Period and up to the Latest Practicable Date:

Item	Nature	No. of convictions	Time of prosecution	Amount of fine imposed (HK\$)	No. of convictions indemnified by sub-contractor	Amount of fine indemnified by sub-contractor (HK\$)
1.	Failed to ensure provision of eye protectors, suitable goggles or effective screens, and the full and proper use of the same	2	February 2012, March 2012	6,400	2	6,400
2.	Failed to ensure every person entering a construction site was wearing a suitable safety helmet	1	February 2012	4,500	1	4,500
3.	Failed to prevent a person from falling from a height of 2 meters or more	1	March 2012	14,000	1	14,000
4.	Failed to provide system of work so far as is reasonably practicable safe and without risks to health	1	November 2011	12,000	—	—
<b>Total:</b>		<b>5</b>		<b>36,900</b>	<b>4</b>	<b>24,900</b>

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We were not indemnified by our sub-contractors for one of the fines imposed because the subject of such conviction was related to our employees rather than our sub-contractors' employees.

The penalties imposed by the Court as a result of the criminal convictions were all monetary penalties and such convictions were against Grand Tech Construction but not against our Directors nor the senior management of our Group personally.

These prosecutions are mainly related to failure to take adequate precautionary measures to ensure health and safety of employees at work and our Directors are of the view that they were generally due to the lack of safety and health awareness amongst the employees and insufficient control measures on proper implementation of safety measures. At the material time, Mr. Au-Yeung Yiu Wai and Mr. Ng Kwok Fong, both directors of Grand Tech Construction, were responsible for overseeing the safety and compliance with the statutory provisions in relation to work safety of our construction business.

- (5) We understand from the Counsel that not all cases of breaches will be prosecuted by the relevant authorities. However, as advised by the Counsel even if the relevant member of our Group is convicted of such offence, the relevant member of our Group will likely face a maximum penalty of not more than HK\$10,000. There will be minimal impact on the business operation of our Group once such fines are settled.
- (6) Given that Wellford Properties has rectified the unauthorised building works and the Building Authority has withdrawn its orders, our Directors are of the view that the order by the Building Authority has no material financial and operational impact on our Group and no provisions were made during the Track Record Period for such non-compliance matter. At the material time, Mr. Au-Yeung Yiu Wai, a director of Grand Tech Construction was responsible to oversee compliance with the statutory provisions in relation to building works of our data centre premises leasing business.

### *Deed of Indemnity*

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlements payments and any associated costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings against any member of our Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of our Group on or before the Listing Date. This further protects our Group from any material adverse consequence due to any claims incurred on or before the Listing Date. Further details of the Deed of Indemnity are set out in the paragraph headed "Estate duty, tax and other indemnity" of the section headed "Statutory and General Information" in Appendix V to this prospectus.

Our Directors are satisfied that our Controlling Shareholders have sufficient financial resources to honour their obligations to provide indemnities in respect of the aforesaid outstanding claim against our Group under the Deed of Indemnity.

### **Measures to prevent recurrence of non-compliance in relation to our construction business**

Our Directors are of the view that the root cause of non-compliance and breaches of law in relation to our construction business as set out above were due to lack of safety and health awareness amongst our employees (and sub-contractors' employees) and insufficient control measures on proper implementation of safety measures. In view of the above, our Group has adopted a number of preventive measures to improve the employees' (and our sub-contractors' employees) awareness on work safety to reduce the risk of accidents and occurrence of non-compliance with statutory provisions

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in relation to work safety. For further details on the preventive measures we have adopted, please refer to the paragraph titled “Safety” of this section. To enhance the internal control measures on proper implementation of safety measures, we have adopted additional measures since June 2012 to further reduce the risk of accidents and occurrence of non-compliance with statutory provisions in relation to work safety as further particularised in the paragraph headed “Safety” of this section.

### **Corporate governance measures to prevent recurrence of non-compliance with the Companies Ordinance and non-compliance in relation to our data centre premises leasing business**

Our Directors are of the view that the root cause of non-compliances with the Companies Ordinance and non-compliance in relation to our data centre premises leasing business by the members of our Group were due to deficiency of our corporate governance control measures in legal compliance. In response, our Group has taken the following measures according to the recommendations given by Baker Tilly Hong Kong Risk Assurance Limited<sup>(Note)</sup>, our external internal control advisers, to prevent future occurrence and improve our corporate governance to ensure compliance with various applicable laws and regulations going forward:

- (a) We have established an internal control committee in April 2013 comprising of three members, namely Mr. Yuen Ying Wai (our executive Director), Mr. Au-Yeung Yiu Wai and Mr. Ng Kwok Fong (both are directors in Grand Tech Construction). The primary duty of our internal control committee is to oversee all compliance-related issues of our Group, including building works of our data centre premises leasing business. The internal control committee is responsible to review and make recommendation to our Board in respect of our Group’s policies and practices on corporate governance, review and monitor our Group’s policies and practices on compliance with any requirement, direction and regulation that may be prescribed by the Board, contained in any constitutional documents of our Group, or imposed by the Listing Rules, other applicable laws, regulations, rules and codes, and ensure that appropriate monitoring systems are in place to ensure compliance against the relevant internal control systems, processes and policies, and monitor the implementation of our Group’s risk management policy. Each of Mr. Yuen and Mr. Au-Yeung has more than 30 years of experience in construction industry. Mr. Yuen has surveying background and is a member of the Hong Kong Institute of Surveyors. Mr. Au-Yeung has successfully completed the registered assessor training course and is a registered safety officer since January 1999. Mr. Ng has more than 14 years of experience in construction industry and is a registered professional engineer in Hong Kong. Mr. Ng has also obtained a Bachelor of Laws from the University of London in August 2003 and a Master of Laws degree from City University of Hong Kong in November 2004. For further biographical details of the members of our internal control committee, please refer to the section headed “Directors and Senior Management” in this prospectus. Our internal control committee will report to Mr. Lau (our executive Director and chief executive officer) on a

*Note:* Baker Tilly Hong Kong Risk Assurance Limited is part of Baker Tilly Hong Kong which is an affiliate of Baker Tilly International. Baker Tilly Hong Kong Risk Assurance Limited mainly engages in providing a broad range of corporate governance and risk advisory, internal audit, and internal controls regulatory compliance services to its clients including listed companies and companies preparing for listing in Hong Kong. The key members of the engagement team from Baker Tilly Hong Kong Risk Assurance Limited are qualified accountants and internal auditors.

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regular basis. With these detailed internal control measures in place, our Directors believe, and the Sole Sponsor concurs that, we can tackle the root cause and the internal control committee would be effective to improve our corporate governance. Further, upon Listing, we will engage professional internal control advisers to review our internal control system on a regular basis.

- (b) In order to further ensure our compliance with relevant statutory requirements, we will engage external professional advisers, such as authorised person, registered architects, consultancy firms, auditors and external legal advisers to render professional advice as to compliances with statutory requirements (including the Companies Ordinance and the Building Ordinance) as applicable to our Group from time to time, to prevent any recurrence of any similar non-compliance with the Companies Ordinance and non-compliance in relation to our data centre premises leasing business (such as checking and ensuring that any existing building or structural works at the premises of our data centre building comply with the relevant laws and regulations).
- (c) Our Company has appointed Mr. Leung Wai Chuen as our company secretary on 23 July 2013 who will be responsible for company secretarial matters of our Group. Mr. Leung has over 22 years of experience in auditing, accounting and financial management and company secretarial matters, of which approximately 11 years working for companies listed on the Stock Exchange or overseas exchange. Mr. Leung is a practicing member of the HKICPA and is an associate of the Hong Kong Institute of Chartered Secretaries. Our Directors believe that our Company will be able to draw on his expertise and experience with respect to compliance with applicable legal and financial reporting requirements. Please see the section headed “Directors and Senior Management” in this prospectus for more detailed biographical information of Mr. Leung Wai Chuen.
- (d) Our company secretary and internal control committee are responsible to detect and prevent potential deficiencies and non-compliances and act as the principal channel of communication between members of our Group and our Company in relation to legal, regulatory and financial reporting compliance matters of our Group as well as the chief coordinators to oversee the internal control procedures in general. Upon receipt of any queries or reports on legal, regulatory and financial reporting compliance matters, the company secretary or internal control committee shall look into the matter and, if considered appropriate, seek advice, guidance and recommendation from professional advisers and report to relevant members of our Group and/or our Board.
- (e) We have established the audit committee on 23 July 2013 which comprises four independent non-executive Directors. Mr. Lee Chung Yiu Johnny has approximately 18 years of experience in the field of architecture and is an authorised person within the List of Architects maintained by the Buildings Department while Mr. Tsui Ka Wah is serving as a member of audit committee and an independent non-executive director in a number of companies listed on the Main Board of the Stock Exchange. Mr. Mok Kwai Pui Bill has accumulated approximately 24 years of experience in auditing, accounting and finance, and has held various management positions in companies listed on the Stock Exchange and the United Kingdom. The audit committee has adopted its terms of reference which set out

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its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

- (f) Our Company has appointed a compliance adviser, who shall provide advice regarding compliance with the Listing Rules after the Listing. This includes, among other things, assessing the understanding of all new appointees to the board of directors of our company regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer and proposing steps such as training.
- (g) Our Company has arranged for the Directors to attend a training session during September 2012 conducted by our Company's Hong Kong legal advisers, Li & Partners, regarding director's duties under the Listing Rules and the laws of Hong Kong.
- (h) Our Company will arrange training courses annually for all Directors and senior management members. Depending on the needs of our Company from time to time, the subjects of the trainings may include the overview of the legal regulatory framework applicable to a listed company and a director of a listed company, requirements of corporate governance under the Listing Rules, conflict of interests, internal control, and other listing and continuing listing obligations.

The Directors are of the view that the above measures can effectively help to enhance our staff's understanding of the relevant laws and regulations and strengthen our internal control system and maintain good corporate governance practices to prevent future non-compliance with relevant laws and regulations by our Group.

### **Views of our Directors and the Sole Sponsor**

As summarised in the above paragraphs, our Group has laid down detailed internal control and corporate governance measures to monitor the ongoing compliance with the relevant laws and regulations, delegated internal control works to experienced personnel with relevant qualifications, and put in place communication network between personnel who are responsible for internal control matters with the members of our Group. Further, we will engage external professional advisers to advise us on compliance matters from time to time if required and engage professional internal control advisers to review our internal control systems on a regular basis. On such basis, our Directors believe, and the Sole Sponsor concurs that, these measures are sufficient and effective to ensure ongoing compliance with relevant laws and regulations by our Group.

Furthermore, having considered (i) the facts and circumstances leading to the civil legal proceedings and the non-compliance incidents as disclosed in this section, including the on-going civil claims and litigations were related to personal injuries accidents occurred at our Group's construction sites which is not uncommon in the construction industry and the incidents of non-compliance with statutory provision in relation to work safety were mainly attributable to the lack of safety and health awareness amongst the employees (and sub-contractors' employees), and insufficiency in our Group's

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internal control measures to avoid recurrence of these non-compliances, and (ii) the decreasing trend in the number of accidents occurred at our Group's construction sites after the implementation of additional internal control measures since June 2012, our Directors are of the view, and the Sole Sponsor concurs with their view, that these past non-compliance incidents and on-going civil claims and litigations do not involve any dishonesty on the part of our Directors or impugn on their integrity or competence and do not affect their suitability to act as directors of a listed issuer under Rules 8.15, 3.08 and 3.09 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing Rules. Further, we will engage external professional advisers to advise us on compliance matters. Our Directors are of the view that the above measures will prevent future occurrence of non-compliance incidents.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer (assuming that the Over-allotment Option is not exercised), Mr. Chan will effectively hold 67.5% of the total issued share capital of our Company through BVI (CHAN). Mr. Chan will continue to control more than 30% of our issued share capital. As such, Mr. Chan will remain as a Controlling Shareholder after the Share Offer.

Apart from our Group, our Controlling Shareholders and their respective associates are currently conducting other businesses or holding interest directly or indirectly in certain companies which are engaged in businesses not in competition with the businesses of our Group. These major other businesses conducted or owned directly or indirectly by our Controlling Shareholders and their respective associates include the following:

Name of major businesses owned by our Controlling Shareholders and their respective associates outside our Group	Principal activities engaged by the relevant company	Effective shareholding of the relevant company
Grand Ming Holdings	Investment holding	90%
Grand Victor Enterprises Limited	Investment holding	90% <sup>(Note 5)</sup>
Grand Ming Real Estate Co., Limited	Investment holding	90% <sup>(Note 5)</sup>
廣西佳明房地產開發有限責任公司 (Guangxi Jiaming Real Estate Development Co., Limited) <sup>(Note 1)</sup>	Property development in China	90% <sup>(Note 5)</sup>
Grand Ming Finance Co. Limited	Money lending	90% <sup>(Note 5)</sup>
Eastern Victor Limited <sup>(Note 2)</sup>	Property holding in Hong Kong	90% <sup>(Note 5)</sup>
Super China Limited <sup>(Note 3)</sup>	Property holding in China	90%
Grand Silver Securities Limited	Securities brokerage services	100%
Grand Tech Enterprise <sup>(Note 4)</sup>	Property holding in Hong Kong	90% <sup>(Note 5)</sup>
Grand Regal <sup>(Note 4)</sup>	Property holding in Hong Kong	90% <sup>(Note 5)</sup>

*Notes:*

- (1) 廣西佳明房地產開發有限責任公司 (Guangxi Jiaming Real Estate Development Co., Limited) is primarily engaged in development of commercial and residential properties in the Guangxi Province of the PRC. Such developments were mostly completed in 2010. This company had not conducted any business in Hong Kong. The name of this company is translated into English for identification purpose only. It is expected that this company will only be able to generate its revenue in the future from sale of residential properties. This company was not included into our Group because of differences in terms of its business model (that is, sale of commercial (namely, department store premises) and residential properties), the geographical area it operates (which is, the PRC) and customer base (which is, PRC residents for residential properties and PRC department stores operators for commercial properties) as compared to those of our Group.



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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (2) Eastern Victor Limited was primarily engaged in property holding in Hong Kong and it acquired a piece of land in Tong Yan San Tsuen, Yuen Long in 2004 for the purpose of residential development. Eastern Victor Limited disposed such land to a third party in March 2013. After the disposal of the land, this company does not have any other business activity and therefore, was not included into our Group.
- (3) Super China Limited holds a residential unit in the PRC. Except for holding such property, this company does not have any other business activity. This company was not included into our Group because of differences in terms of its business model (that is, holding of one residential unit in the PRC for investment purposes), the geographical area it operates (which is, the PRC) and scale of operation as compared to those of our Group.
- (4) Grand Tech Enterprise and Grand Regal hold the properties currently occupied by our Group as its principal place of business in Hong Kong. Except for holding and leasing such properties, these companies do not have any other business activities. Our Group has entered into a tenancy agreement with each of Grand Tech Enterprise and Grand Regal for its occupation of the properties. For further details, please refer to the section headed “Connected Transactions” in this prospectus. These companies were not included into our Group because of differences in terms of their business models (that is, holding of office premises for leasing purposes), customer base (which is, companies looking for office space) and scale of operation as compared to those of our Group and the properties held by them are not the core assets of our Group.
- (5) These companies are indirectly owned by Mr. Chan through his interest in Grand Ming Holdings whereby Grand Ming Holdings holds a 100% shareholding in these companies and Grand Ming Holdings is owned as to 90% by Mr. Chan. 廣西佳明房地產開發有限責任公司 (Guangxi Jiaming Real Estate Development Co., Limited), Eastern Victor Limited, Super China Limited, Grand Tech Enterprise and Grand Regal are collectively referred to as the “Excluded Property Holding Businesses”.

As our Group is principally engaged in the construction business and data centre premises leasing business in Hong Kong and derived all of its revenue from construction contracts and rental and rental related income in Hong Kong and it is currently not part of our Group’s business strategies to expand its business into areas outside of Hong Kong, our Directors are of the view that there are clear delineations between the principal businesses of our Group and that of the Excluded Property Holding Businesses due to their differences in terms of (1) the region they operate as 廣西佳明房地產開發有限責任公司 (Guangxi Jiaming Real Estate Development Co., Limited) and Super China Limited are principally engaged in property development and investment in the PRC; (2) their nature of business as the Excluded Property Holding Businesses principally engaged in the development of commercial properties in the PRC, investment and holding of residential properties in the PRC and holding of commercial properties in Hong Kong; (3) their scale of operation as the Excluded Property Holding Businesses are operating in a much smaller scale; and (4) their customer base as our Group’s target customers for its construction business and data centre premises leasing business are local developers and multi-national corporations which demand raised floor space to accommodate their data processing systems for secured and uninterrupted data centre operations, respectively, while the customers of the Excluded Property Holding Businesses are principally PRC residents and department store operators looking for residential and commercial properties in the PRC, respectively, or companies looking for office spaces in Hong Kong.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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The table below sets out the comparison of the turnover and profit between our Group and the Excluded Property Holding Businesses during the Track Record Period:

	For the year ended 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>			
- Group	457,961	1,058,062	773,700
- Excluded Property Holding Businesses <i>(Note)</i>	10,453	57,292	15,122
<b>Profit/(loss)</b>			
- Group	247,703	101,936	148,981
- Excluded Property Holding Businesses <i>(Note)</i>	2,059	3,834	(2,366)

*Note:* The financial information of the Excluded Property Holding Businesses is unaudited and was derived from a pure mathematical summation of financial data stated in the audited accounts of respective companies prepared by local auditors individually and/or unaudited management accounts prepared by the management of the Excluded Property Holding Businesses without taking into account any possible audit adjustments and might be prepared in accordance with accounting standards different from those of our Company.

The table below sets out the comparison of the total equity between our Group and the Excluded Property Holding Businesses during the Track Record Period:

	As at 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Total Equity</b>			
- Group	1,090,472	1,157,392	1,290,404
- Excluded Property Holding Businesses <i>(Note)</i>	34,415	39,271	37,275

*Note:* The financial information of the Excluded Property Holding Businesses is unaudited and was derived from a pure mathematical summation of financial data stated in the audited accounts of respective companies prepared by local auditors individually and/or unaudited management accounts prepared by the management of the Excluded Property Holding Businesses without taking into account any possible audit adjustments and might be prepared in accordance with accounting standards different from those of our Company.

Accordingly, our Directors consider that the potential competition between our Group and the Excluded Property Holding Businesses is minimal and does not give rise to a conflict of interest between the Controlling Shareholders and the other Shareholders as a whole and the interest of the minority Shareholders will not be undermined.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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None of our executive Directors, our Controlling Shareholders and their respective associates are engaged in any business that, directly or indirectly, competes or may compete with the business of our Group. To ensure that competition will not exist in the future, our Controlling Shareholders have entered into the Deed of Non-Competition with us to the effect that each of them will not, and will procure each of their respective associates not to, directly or indirectly participate in, or hold any right or interest or otherwise be involved in, any business which may be in competition with our businesses.

Furthermore, Mr. Chan has disclosed to our Board that a writ of summons (the “**Summons**”) dated 7 March 2013 was issued by 廣東省深圳市中級人民法院 (Guangdong Province Shenzhen Intermediate People’s Court) (the “**Shenzhen Court**”) against Grand Tech Enterprise as one of the defendants. According to the Summons, the plaintiff has filed a statement of claim with the Shenzhen Court which alleged that, among other things, Grand Tech Enterprise and another defendant should be responsible for the debt owed by a PRC company (“**GTE PRC Company**”) to the plaintiff on the grounds that they were the shareholders of the GTE PRC Company and failed to liquidate the GTE PRC Company. Grand Tech Enterprises denied such liabilities to the Shenzhen Court.

Mr. Chan further disclosed to our Board that he was appointed as the director and vice chairman of the GTE PRC Company by Grand Tech Enterprise at the time of establishment of the GTE PRC Company in 1995. In 1997, he signed the board resolution of the GTE PRC Company (the “**1997 Board Resolution**”) to resign as the director, vice chairman, and general manager of the GTE PRC Company. However, according to a company search conducted on the filing record of the GTE PRC Company with the relevant Administration for Industry and Commerce (“**AIC**”) office in the PRC after receipt of the Summons by Grand Tech Enterprise on 8 March 2013, the removal of Mr. Chan from the positions of director and vice chairman of the GTE PRC Company only became effective in 2004 and he still remained as the general manager of the GTE PRC Company according to the existing record maintained by the relevant AIC office in the PRC. Mr. Chan confirms that since his signing of the 1997 Board Resolution, he has not been involved in any matter or been provided with any corporate documents of the GTE PRC Company. Mr. Chan believed that he was no longer connected to the GTE PRC Company after his signing of the 1997 Board Resolution and confirmed to our Board that he was not aware that his removal as the director and vice chairman of the GTE PRC Company was only effective since 2004 and he still remained as the general manager of the GTE PRC Company according to the existing record maintained by the relevant AIC office in the PRC before the company search was conducted. According to the legal advice sought by Grand Tech Enterprise as disclosed by Mr. Chan to our Board, the responsibility for filing the 1997 Board Resolution with the relevant PRC Government authority lies with the GTE PRC Company rather than Mr. Chan personally and the GTE PRC Company was the only entity able to make such filing with the relevant PRC Government authority.

The abovementioned litigation has not been concluded and that its outcome is uncertain. Even if the judgment is unfavourable to Grand Tech Enterprise, our Directors consider that this litigation will not affect our Group in any event as Grand Tech Enterprise is not one of our Group companies. Furthermore, since this claim is against Grand Tech Enterprise as one of the shareholders of GTE PRC Company and according to the legal advice sought by Grand Tech Enterprise as disclosed by Mr. Chan to our Board, the plaintiff shall not have any valid grounds to sue Mr. Chan as well by virtue of his

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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previous directorship in GTE PRC Company since he was no longer a director of GTE PRC Company at the time when the alleged obligation of GTE PRC Company as claimed by the plaintiff arisen, our Directors are of the view that this litigation does not affect Mr. Chan's character, integrity and suitability to act as our Director.

Mr. Chan also disclosed to our Board that he is an ex-director of 河南粵新房地產開發有限公司 (Henan Yuexin Real Estate Development Co., Ltd.) which is incorporated in the PRC (the "**Henan Company**"). However, according to a directorship search on Mr. Chan in the PRC conducted in March 2013, Mr. Chan remained as a director of the Henan Company. Mr. Chan confirmed to our Board that he had requested the Henan Company to remove himself as its director in late 1996 and had never participated in or invited to attend any board meetings of the Henan Company. Mr. Chan confirmed that he was not aware that he still remained as a director of the Henan Company according to the existing record maintained by the relevant AIC office in the PRC before the directorship search was conducted. The business licence of the Henan Company was revoked by the Henan Administration of Industry and Commerce Office (河南省工商行政管理局) on 16 December 2002 for the reason of failing to complete its annual inspection. According to the record of the Henan AIC, the Henan Company was engaged in the business of property development in the PRC which is unrelated to the business of our Group.

According to the legal advice sought by Mr. Chan as disclosed by him to our Board, according to the Measures for the Annual Inspection of Enterprises (企業年度檢驗辦法) effective at the relevant time of revocation of the business licence of the Henan Company, the Henan Company was legally responsible to complete annual inspection and file the relevant materials to the relevant PRC Government authorities and do not hold the directors of the Henan Company (including its former directors) legally responsible for the revocation of its business licence as a result of failure to complete its annual inspection.

### NON-COMPETE UNDERTAKINGS

Each of our Controlling Shareholders (collectively, the "**Non-Competing Covenantors**") has entered into the Deed of Non-Competition in favor of our Company, pursuant to which the Non-Competing Covenantors have undertaken to our Company (for itself and for the benefit of each of the members of our Group) that, with effect from the date of Listing and for as long as our Shares remain so listed on the Stock Exchange and our Controlling Shareholders are individually or collectively with any of his/its associates interested directly or indirectly in not less than 30% of the issued ordinary share capital of our Company (the "**Restricted Period**"), the Non-Competing Covenantors or their respective associates shall not, (i) directly or indirectly engage in, participate or hold any right or interest in or render any services to or otherwise be involved in any business (whether as owner, director, operator, licensor, licensee, partner, shareholder, joint venturer, employee, consultant or otherwise) in competition with or likely to be in competition with the existing business carried on by our Group (the "**Restricted Business**"); and (ii) directly or indirectly take any action which constitutes an interference with or a disruption of the Restricted Business including, but not limited to, solicitation of our Group's customers, suppliers or personnel of any member of our Group.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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The aforesaid undertaking does not apply with respect to the holding of or being interested in, directly or indirectly, any shares in any company which conducts or is engaged in, directly or indirectly, any Restricted Business, provided that:

- (a) such shares are listed on a recognised stock exchange;
- (b) the total number of such shares held by any of the Non-Competing Covenantors and/or their respective associates does not amount to more than 10% of the issued shares of that class of such company in question; and
- (c) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets (individually or collectively with their respective associates) as shown in that company's latest audited accounts.

The Non-Competing Covenantors have further undertaken to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the "**New Opportunity**") identified by or offered to the Non-Competing Covenantors and/or any of their associates (other than members of our Group) (the "**Offeror**") is first referred to us in the following manner:

- (a) the Non-Competing Covenantors are required to, and shall procure their associates (other than members of our Group) to, refer, or procure the referral of, the New Opportunity to us, and shall give written notice to us of any New Opportunity containing all information reasonably necessary for us to consider whether (i) the New Opportunity would constitute competition with our core business and/or any other new business which our Group may undertake at the relevant time, and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the "**Offer Notice**"); and
- (b) the Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from us declining the New Opportunity and confirming that the New Opportunity would not constitute competition with our core business, or (ii) the Offeror has not received the notice from us within 10 business days from our receipt of the Offer Notice; if there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror will refer the New Opportunity as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will seek opinions and decisions from a committee of our Board consisting of Directors who do not have a material interest in the matter as to whether (a) such New Opportunity would constitute competition with our core business, and (b) it is in the interest of our Company and the Shareholders as a whole to pursue the New Opportunity.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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The Controlling Shareholders have granted our Company an option, as part of the Deed of Non-Competition, to acquire the whole or part of their interests in the Excluded Property Holding Businesses held directly or indirectly by the Controlling Shareholders at any time subject to the Exercise Conditions (as defined below) (the “**Option**”). The price at which the Option will be exercised shall be negotiated and agreed at arm’s length between our Company and the Controlling Shareholders at the time of exercise. If the Controlling Shareholders and our Company fail to agree on the exercise price, an independent internationally recognised firm of valuers will be appointed to determine the exercise price.

The Controlling Shareholders have also granted our Company a right of first refusal, as part of the Deed of Non-Competition, in the event that any one of the Controlling Shareholders or any of their associates wish to sell the whole or any part of its interest in the Excluded Property Holding Businesses owned by it to any third party (the “**Right of First Refusal**”).

Decisions as to whether to exercise the Option or the Right of First Refusal shall be subject to the independent Shareholders approving the acquisition. In addition, our Company should also appoint an independent financial advisor to review the terms of the acquisition of the interests in the Excluded Property Holding Businesses and provide a letter of advice to the independent board committee of our Company and the independent Shareholders (collectively, the “**Exercise Conditions**”).

In the event that our Company decides to exercise the Option or the Right of First Refusal, an announcement will be issued by our Company setting out details of such exercise in accordance with relevant requirements under the Listing Rules. In the event that our Company decides not to exercise the Right of First Refusal, an announcement will also be issued by our Company setting out the reasons for not exercising such option or right and the Controlling Shareholders may proceed to sell to the third party, provided that the price may not be lower than the price which was offered to our Company.

The exercise of the Option or the Right of First Refusal will constitute connected transaction(s) of our Company under Chapter 14A of the Listing Rules and will be subject to the applicable requirements under the Listing Rules.

Each of the Non-Competing Covenantors jointly and severally undertakes to indemnify and keep indemnified our Group against any damage, loss or liability suffered by our Company or any other member of our Group arising out of or in connection with any breach of its undertakings and/or obligations under the Deed of Non-Competition, including any costs and expenses incurred as a result of such breach provided that such indemnity shall be without prejudice to any other rights and remedies our Company is entitled to in relation to any such breach, including specific performance, and all such other things and remedies are hereby expressly reserved by our Company.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of the Shareholders:

- (1) our independent non-executive Directors will review, on an annual basis, the Deed of Non-Competition to ensure compliance with the non-compete undertaking by our Controlling Shareholders;
- (2) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (3) our Company will disclose decisions with basis on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition in the annual reports of our Company; and
- (4) our Controlling Shareholders will provide confirmation on compliance pursuant to their undertaking under the Deed of Non-Competition in the annual report of our Company.

### INDEPENDENCE OF MANAGEMENT, FINANCING AND OPERATION

Having considered the following factors, our Directors are satisfied that our Group will be able to be operationally and financially independent from our Controlling Shareholders and their associates:

Non-competition — although there are certain businesses owned by our Controlling Shareholders as mentioned above in this section, none of our Controlling Shareholders or our Directors has any interest in a business which competes or is likely to compete, either directly or indirectly, with our Group's business. In addition, each of our Controlling Shareholders has given a non-competition undertaking in favor of us. For details, please refer to the paragraph headed "Non-compete undertakings" of the section headed "Relationship with Controlling Shareholder" in this prospectus.

Management independence — Our Board comprises four executive Directors and four independent non-executive Directors. Despite the interest of our Controlling Shareholders in certain businesses outside our Group, we consider that our Board will function independently from our Controlling Shareholders because:

- (a) each Director is aware of his fiduciary duties as a Director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and that he does not allow any conflict between his duties as a Director and his personal interest;

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions; and
- (c) our board comprises eight Directors and four of them are independent non-executive Directors who represent more than one-third of the members of the Board; such an arrangement is in line with or better than governance best practice currently adopted in Hong Kong.

Financial independence — Our Group has an independent financial system and makes financial decisions according to its own business needs. As at 31 March 2013, approximately HK\$8.5 million was owed by our Group to our Controlling Shareholders and their respective associates. This amount was due to Grand Ming Holdings which consisted of payment of the listing expenses of the Company in the sum of approximately HK\$8.5 million. The entire outstanding amount owed to our Controlling Shareholders and their respective associates was settled in May 2013. Security or guarantee provided by our Controlling Shareholders and their respective associates for our bank borrowings (which amounted to approximately HK\$829.7 million as at 31 March 2013) will be released in full upon Listing. In the circumstances, we believe we are capable of obtaining financing from third parties without reliance on our Controlling Shareholders.

Operational independence — Despite the fact that we will have certain continuing connected transactions by leasing certain properties from Grand Tech Enterprise and Grand Regal, particulars of which are set out in the section headed “Connected transactions” in this prospectus, our Group may lease properties at other office premises in substitution for the said properties leased by Grand Tech Enterprise and Grand Regal. Our Group also has an independent work force to carry out our operations and does not share its operation team with our Controlling Shareholders’ businesses outside our Group save for Mr. Ng Kwok Fong, who is a senior management member of our Group and also acts as a director of Grand Silver Securities Limited. Although during the Track Record Period, there have been certain transactions between us and our related parties (including the previous internal arrangement between Grand Ming Holdings and Wellford Properties relating to data centre premises leasing business for our independent customers), details of which are set out in Note 28 to Section B of the Accountants’ Report set out in Appendix I to this prospectus, our Directors have confirmed that the related party transactions which are trade related as disclosed in Note 28 to Section B of the Accountants’ Report set out in Appendix I to this prospectus were conducted in the ordinary course of business and on fairly and reasonably normal commercial terms.

Save as disclosed below and in the section headed “Connected Transactions” in the prospectus, none of the historical related party transactions with the connected persons as defined in the Listing Rules (including all other financial guarantees provided by the Controlling Shareholders and their associates) are expected to continue after the Listing.

Further, Wellford Properties and Grand Ming Holdings have entered into certain agreements in connection with the leasing of our data centre premises (together, the “**Agreements**”) with Wellford Properties’ independent third party customers in which Grand Ming Holdings acted as the Wellford Properties’ guarantor to guarantee the due performance and observance by the Wellford Properties of



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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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its obligations under the Agreements. Pursuant to certain novation agreements (“**Novation Agreements**”) between Wellford Properties’ customers, Wellford Properties, Grand Ming Holdings and our Company, upon completion of the Reorganisation or with effect from the date of the respective Novation Agreements, our Company will assume all of Grand Ming Holdings’ rights and obligations under the Agreements and Wellford Properties’ customers will release and discharge Grand Ming Holdings from all of its obligations under the Agreements. Subsequent to the Novation Agreements becoming effective, save for one customer as further disclosed below, Grand Ming Holdings will cease to be a guarantor of Wellford Properties of its due performance and observance of its obligations under the Agreements prior to the Listing.

For the other customer which has not agreed with our Company to replace Grand Ming Holdings’ guarantee arrangement mentioned above, Grand Ming Holdings has during the Track Record Period acted and will continue to act after the Listing, as a guarantor of Wellford Properties of its due performance and observance of its obligations under certain agreements in connection with data centre premises leasing. Subsequent to the Reorganisation, a substantial portion of financial resources and assets (including iTech Tower) had already been transferred from Grand Ming Holdings to our Group. Based on the unaudited consolidated management account of Grand Ming Holdings, its pro forma net asset value would be approximately HK\$99.6 million as at 31 March 2013 assuming the Reorganisation had been completed, compared with the net asset value of our Group of approximately HK\$1,290.4 million as at 31 March 2013. As such, our Group has much stronger financial resources than Grand Ming Holdings. Hence our Directors are of the view that the reason for this particular customer (being a multi-national corporation) to keep the guarantee arrangement unchanged is because of this customer’s internal procedures and process, and there is no financial reliance on Grand Ming Holdings by our Group in this respect. For the same reasons, our Directors believe that the risk of loss of customer if the guarantee is no longer provided by Grand Ming Holdings is low.

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## CONNECTED TRANSACTIONS

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We have entered into certain transactions with our connected persons which will continue following the Listing and thereby constitute continuing connected transactions within the meaning of the Listing Rules.

### CONNECTED PERSONS

#### *Grand Ming Holdings*

Grand Ming Holdings (which is owned as to 90% by Mr. Chan and as to 10% by Mr. Lau) is an associate of Mr. Chan under the Listing Rules and therefore a connected person of our Company as defined under the Listing Rules.

#### *Grand Tech Enterprise*

Grand Tech Enterprise (which is owned as to 100% by Grand Ming Holdings) is an associate of Mr. Chan under the Listing Rules and therefore a connected person of our Company as defined under the Listing Rules.

#### *Grand Regal*

Grand Regal (which is owned as to 100% by Grand Ming Holdings) is an associate of Mr. Chan under the Listing Rules and therefore a connected person of our Company as defined under the Listing Rules.

### EXEMPTED CONTINUING CONNECTED TRANSACTION

Grand Ming Holdings has during the Track Record Period acted and will continue to act after the Listing, as guarantor of Wellford Properties of its due performance and observance of its obligations under certain agreements in connection with the leasing of our premises (the “**Guarantee Arrangement**”) as one of our customers has not agreed with our Company to replace Grand Ming Holdings’ guarantee mentioned in the paragraph titled “Independence of Management, Financing and Operation” in the section titled “Relationship with Controlling Shareholders” of this prospectus. Our Directors confirm that the Guarantee Arrangement is provided to Wellford Properties from Grand Ming Holdings on normal commercial terms, (that is, terms which we could obtain if the transaction were on an arm’s length basis or on terms no less favourable to us than terms available to or from Independent Third Parties) and is not secured by our Group’s assets. Therefore, the Guarantee Arrangement is exempted from reporting, announcement and independent shareholders’ approval requirements and continuing disclosure obligations thereto of Chapter 14A of the Listing Rules.

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## CONNECTED TRANSACTIONS

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### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

After the Listing, the following transactions will be regarded as continuing connected transactions exempt from independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules, but still subject to the reporting, announcement and annual review requirements under the Listing Rules (the “**Non-Exempt Continuing Connected Transactions**”).

#### *(a) Tenancy agreement with Grand Tech Enterprise*

##### *Background*

A tenancy agreement dated 17 April 2013 was entered into between Grand Tech Enterprise, as landlord, and Grand Tech Construction, as tenant, under which Grand Tech Enterprise agreed to lease to Grand Tech Construction, Flats C, D, E and F, 19th Floor, Eastern Commercial Centre, 395-399 Hennessy Road, Hong Kong (the “**1st Office Premises**”) with a gross floor area of approximately 2,922 sq.ft., for a term of three years commencing on 1 April 2013 and ending on 31 March 2016 for office use (the “**GTE Tenancy Agreement**”).

Pursuant to the GTE Tenancy Agreement, Grand Tech Construction shall pay Grand Tech Enterprise monthly rentals in the sum of HK\$74,000 throughout the term of the GTE Tenancy Agreement exclusive of management fees, Government Rent and Government Rates. Grand Tech Construction has an option to, subject to the applicable requirements of the Listing Rules, renew the GTE Tenancy Agreement for a term of three years upon expiration of the original term and the rent during the renewal paid shall not exceed HK\$81,400 per month.

##### *Historical transaction value*

During the Track Record Period, no rent was paid by our Group to Grand Tech Enterprise (or Grand Regal) for its occupation of the 1st Office Premises.

##### *Pricing basis*

The annual rent is HK\$888,000. The rent charged by Grand Tech Enterprise is determined with reference to the market rent and was determined by each of the parties to the GTE Tenancy Agreement on arm's length basis. Colliers International (Hong Kong) Limited, an independent valuer, is of the opinion that the rent for the tenancy is fair and reasonable, consistent with and comparable to the prevailing market rent as at the date of the GTE Tenancy Agreement for similar premises in similar location.

##### *Proposed annual caps*

Our Directors estimate that the aggregate annual rental payable by Grand Tech Construction to Grand Tech Enterprise under the GTE Tenancy Agreement will be HK\$888,000, therefore, the proposed annual caps for the lease under the GTE Tenancy Agreement, for each of the three years ending 31 March 2016 is HK\$888,000, HK\$888,000 and HK\$888,000, respectively. Our Directors confirm that the annual rental payable under the GTE Tenancy Agreement is determined on normal

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## CONNECTED TRANSACTIONS

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commercial terms (that is, on terms which we could obtain if the transaction were on an arm's length basis or on terms no less favourable to us than terms available to or from Independent Third Parties), and with reference to the prevailing market rates of similar properties in the locality and thus in the interest of our Company and Shareholders as a whole.

### *(b) Tenancy agreement with Grand Regal*

#### *Background*

A tenancy agreement dated 17 April 2013 was entered into between Grand Regal, as landlord, and Wellford Properties, as tenant, under which Grand Regal agreed to lease to Wellford Properties, Flats A and B, 19th Floor, Eastern Commercial Centre, 395-399 Hennessy Road, Hong Kong (the “**2nd Office Premises**”) with a gross floor area of approximately 1,620 sq.ft., for a term of three years commencing on 1 April 2013 and ending on 31 March 2016 for office use (the “**GR Tenancy Agreement**”).

Pursuant to the GR Tenancy Agreement, Wellford Properties shall pay Grand Regal monthly rentals in the sum of HK\$41,000 throughout the term of the GR Tenancy Agreement exclusive of management fees, Government Rent and Government Rates. Wellford Properties has an option to, subject to the applicable requirements of the Listing Rules, renew the GR Tenancy Agreement for a term of three years upon expiration of the original term and the rent during the renewal period shall not exceed HK\$45,100 per month.

#### *Historical transaction value*

During the Track Record Period, no rent was paid by our Group to Grand Regal (or Grand Tech Enterprise) for its occupation of the 2nd Office Premises.

#### *Pricing basis*

The annual rent is HK\$492,000. The rent charged by Grand Regal is determined by reference to the market rent and was determined by each of the parties to the GR Tenancy Agreement on arm's length basis. Colliers International (Hong Kong) Limited, an independent valuer, is of the opinion that the rent for the tenancy is fair and reasonable, consistent with and comparable to the prevailing market rent as at the date of the GR Tenancy Agreement for similar premises in the similar location.

#### *Proposed annual caps*

Our Directors estimate that the aggregate annual rental payable by Wellford Properties to Grand Regal under the GR Tenancy Agreement will be HK\$492,000, therefore, the proposed annual caps for the lease under the GR Tenancy Agreement, for each of the three years ending 31 March 2016 is HK\$492,000, HK\$492,000 and HK\$492,000, respectively. Our Directors confirm that the annual rental payable under the GR Tenancy Agreement is determined on normal commercial terms, (that is,

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## CONNECTED TRANSACTIONS

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on terms which we could obtain if the transaction were on an arm's length basis or on terms no less favourable to us than terms available to or from Independent Third Parties) and with reference to the prevailing market rates of similar properties in the locality and thus in the interest of our Company and Shareholders as a whole.

### **Listing Rules implications**

Pursuant to Rules 14A.26 and 14A.27 of the Listing Rules, the Non-Exempt Continuing Connected Transactions have been aggregated. It is anticipated that on an annual basis, the aggregate annual rental to be paid by our Group under the GTE Tenancy Agreement and GR Tenancy Agreement for each of the three years ending 31 March 2016 are approximately HK\$1,380,000, HK\$1,380,000 and HK\$1,380,000 respectively, and each of the percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules, where applicable, in respect of the GTE Tenancy Agreement and GR Tenancy Agreement is, on an annual basis, more than 0.1% but less than 5%. Therefore, the Non-Exempt Continuing Connected Transactions will be exempted from the independent shareholders' approval requirements but are subject to the reporting and announcement and annual review requirements as set out in Rules 14A.37 and 14A.45 to 14A.47 of the Listing Rules.

### **Application for waivers**

As the Non-Exempt Continuing Connected Transactions will continue after the Listing on a recurring basis, our Directors consider that strict compliance with the announcement requirements under the Listing Rules would be burdensome and would add unnecessary administrative costs to our Company each time such transactions arise. With respect to the Non-Exempt Continuing Connected Transactions, we have, pursuant to Rule 14A.42(3) of the Listing Rules, applied for and the Stock Exchange has agreed to grant a waiver from strict compliance with the announcement requirement under the Listing Rules.

### **Confirmation from our Directors**

Our Directors (including our independent non-executive Directors) confirm that the Non-Exempt Continuing Connected Transactions have been and shall be entered into in the ordinary and usual course of our Group's business and are based on normal commercial terms (that is, terms which we could obtain if the transaction were on an arm's length basis or on terms no less favourable to us than terms available to or from the Independent Third Parties) that are fair and reasonable and in the interest of the Shareholders as a whole, and that the proposed annual caps for the Non-Exempt Continuing Connected Transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

### **Confirmation from our Sole Sponsor**

Our Sole Sponsor considers that the Non-Exempt Continuing Connected Transactions have been and shall be entered into in the ordinary and usual course of business of our Group on normal commercial terms and are fair and reasonable and in the interest of the Shareholders as a whole, and that the annual caps set for the Non-Exempt Continuing Connected Transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under 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 members of our Company:

Name	Capacity	Number of securities held <sup>(Note 1)</sup>	Approximate shareholding percentage (%)
BVI (CHAN)	Beneficial owner of our Company	270,000,000 Shares (L)	67.5%
Mr. Chan <sup>(Note 2)</sup>	Interest of controlled corporation	270,000,000 Shares (L)	67.5%
BVI (LAU)	Beneficial owner of our Company	30,000,000 Shares (L)	7.5%
Mr. Lau <sup>(Note 3)</sup>	Interest of controlled corporation	30,000,000 Shares (L)	7.5%
Ms. Cheung Shuk Fong (張淑芳) <sup>(Note 4)</sup>	Family	30,000,000 Shares (L)	7.5%

Notes:

- (1) The letter “L” denotes a person’s long position in our Shares or shares of the relevant Group member.
- (2) The entire issued share capital of BVI (CHAN) is legally and beneficially owned by Mr. Chan, a Controlling Shareholder and an executive Director. By virtue of the SFO, Mr. Chan is deemed to be interested in all the Shares of our Company held by BVI (CHAN).
- (3) The entire issued share capital of BVI (LAU) is legally and beneficially owned by Mr. Lau, an executive Director. By virtue of the SFO, Mr. Lau is deemed to be interested in all the Shares of our Company held by BVI (LAU).
- (4) Ms. Cheung Shuk Fong, the spouse of Mr. Lau, is deemed or taken to be interested in 30,000,000 Shares which Mr. Lau is interested in our Company by virtue of the SFO.

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## **SUBSTANTIAL SHAREHOLDERS**

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Save as disclosed herein, our Directors are not aware of any person (who are not Directors or chief executive of our Company) who will, immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 members of our Group other than our Company.

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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS

The Board consists of eight members, four of whom are independent non-executive Directors. The following table sets out the information regarding the current Directors of our Company.

Name	Age	Position	Date of Appointment	Responsibilities
Mr. Chan Hung Ming	59	Chairman and executive Director	14 August 2012	Overall management, development and planning of our Group and participating in the day-to-day management of our Group's business operations
Mr. Lau Chi Wah	48	Executive Director and chief executive officer	14 August 2012	Overall management, development, planning, administrative and compliance matters with respect to our Group and participating in the day-to-day management of our Group's business operations
Mr. Yuen Ying Wai	50	Executive Director	14 August 2012	Overall management of our Group's construction and leasing of data centre premises businesses, cost control, internal control, safety, compliance and corporate governance
Mr. Kwan Wing Wo	45	Executive Director and chief financial officer	14 August 2012	Group financial controller, overall management of our Group's finance, accounting, taxation and administrative matters
Mr. Tsui Ka Wah	60	Independent non-executive Director	23 July 2013	Chairman of the remuneration committee, overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation
Mr. Kan Yau Wo	60	Independent non-executive Director	23 July 2013	Chairman of the nomination committee, overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation
Mr. Mok Kwai Pui Bill	52	Independent non-executive Director	23 July 2013	Chairman of the audit committee, overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation
Mr. Lee Chung Yiu Johnny	69	Independent non-executive Director	23 July 2013	Overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation



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## DIRECTORS AND SENIOR MANAGEMENT

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### Executive Directors

**Mr. Chan Hung Ming (陳孔明)**, aged 59, is our Chairman and executive Director. He was a co-founder of our Group and has participated in the management of our Group since 1995 and is a director of Wellford Properties, Grand Tech Construction, Winning Tech and other companies within our Group. Mr. Chan is also our Controlling Shareholder. Immediately following the Share Offer and the Capitalisation Issue, Mr. Chan will indirectly hold a 67.5% interest in our Company (assuming the Over-allotment Option is not exercised).

Mr. Chan is primarily responsible for the overall management, development and planning of our Group and has approximately 40 years of experience in construction and property development field. Mr. Chan has served as a director in a private construction company in Hong Kong from 1984 to 1995 and was mainly responsible for the overall management, development and planning. Mr. Chan also has accumulated over 5 years of experience in leasing of data centre premises in our Group.

Mr. Chan graduated from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) with a Higher Certificate in Building Technology in November 1978.

**Mr. Lau Chi Wah (劉志華)**, aged 48, is our executive Director and chief executive officer. He was a co-founder of our Group and has participated in the management of our Group since 1995 and is a director of Wellford Properties, Grand Tech Construction, Winning Tech and other companies within our Group. Immediately following the Share Offer and the Capitalisation Issue, Mr. Lau will indirectly hold a 7.5% interest in our Company (assuming the Over-allotment Option is not exercised).

Mr. Lau is primarily responsible for the overall management, development and planning and administrative and compliance matters of our Group and has accumulated more than 20 years of audit, accounting and finance experience. Prior to joining our Group, he served as a senior accountant of Price Waterhouse (now known as PricewaterhouseCoopers) from 1988 to 1992 and, during the subsequent three years, as a financial controller of a private construction company until 1995 and was responsible for the overall management of its finance, accounting, taxation and administrative matters.

Mr. Lau graduated from Lingnan College (now known as the Lingnan University) with Honours Diploma in Accountancy in November 1988 and obtained a master's degree from Hong Kong Polytechnic University with a Master of Professional Accounting in December 2005 and is a fellow member to both the Association of Chartered Certified Accountants of the United Kingdom and the HKICPA since January 1997 and July 1999, respectively.

**Mr. Yuen Ying Wai (袁英偉)**, aged 50, is our executive Director. Mr. Yuen joined our Group in 2001 and has participated in the management of our Group since 2007. Mr. Yuen is a director of Wellford Properties, Winning Tech and Grand Tech Construction.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Yuen is responsible for managing the construction and data centre premises leasing businesses, cost control, tendering, sub-letting and contract negotiation matters with respect of our Group. Mr. Yuen is also a member of the internal control committee and the chairman of the safety committee. For the responsibilities of our internal control committee and safety committee, please refer to the section headed “Business” in this prospectus. Mr. Yuen also has accumulated over 5 years of experience in leasing of data centre premises in our Group.

He has accumulated approximately 30 years of experience in the construction industry as a quantity surveyor with a number of construction companies and as a Director of our Group. He served from 1982 to 1986 as an assistant quantity surveyor in a private construction company, from 1986 to 1987 as a quantity surveyor in a private engineering company, from 1987 to 1998 as a quantity surveyor and was subsequently promoted to become a chief quantity surveyor of Sino Land Group, a company listed on the Main Board of the Stock Exchange (Stock Code: 83), from 1998 to 1999 as a quantity surveying manager in a private construction and engineering company, and from 1999 to 2000 as a senior quantity surveying manager in a private property development company.

He obtained a certificate in civil engineering studies from the Hong Kong Vocational Training Council in July 1984, followed by a national certificate in civil engineering studies from Business & Technician Education Council in July 1985, a higher certificate in civil engineering from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in November 1986, and a Diploma in Surveying from the College of Estate Management in the United Kingdom in October 1997. Besides, he has been a member to both the Society of Surveying Technician and the Hong Kong Institute of Surveyors since January 1991 and March 2001, respectively.

**Mr. Kwan Wing Wo (關永和)**, aged 45, is our executive Director and chief financial officer. He has participated in the management of our Group since 2008. He is a director of Winning Tech.

Mr. Kwan is primarily responsible for the finance, accounting, taxation, investment and administrative matters as group financial controller of our Group. Mr. Kwan is also responsible for monitoring our Group’s funding requirements and the associated interest risk and liquidity risk and implementing appropriate arrangements to mitigate the risk exposure. Mr. Kwan has accumulated over 20 years’ experience in auditing, accounting and finance fields. Prior to joining our Group, he served in KPMG Peat Marwick (now known as KPMG) from 1990 to 1995. From 1996 to 2008, Mr. Kwan worked in Glorious Sun Enterprises Limited, a company listed on the Main Board of the Stock Exchange (stock code: 393), and last served as the deputy financial controller and was mainly responsible for its finance, financial reporting obligations, accounting, taxation and administrative matters before joining our Group in 2008.

Mr. Kwan graduated from the City University of Hong Kong with a bachelor’s degree in Arts in Accountancy in November 1993. Mr. Kwan is a fellow of the Association of Chartered Certified Accountants of United Kingdom and a member of the HKICPA since November 2001 and July 1995, respectively.

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## DIRECTORS AND SENIOR MANAGEMENT

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### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Tsui Ka Wah (徐家華)**, aged 60, is an independent non-executive Director of our Company. He joined our Group on 23 July 2013.

Mr. Tsui has accumulated approximately 28 years of banking experience in the United States and local banks, and has held various management positions in corporate, retail and private banking. Prior to joining our Group, he worked for Citibank Hong Kong branch as a management trainee and then was promoted to become a manager from 1982 to 1986. From 1986 to 1987, he was acting in the position as a group financial controller for a cookware distributor. Mr. Tsui then served in a number of commercial banks, such as in Citibank Hong Kong branch as a vice president in private banking group from 1987 to 1991, in Bank Brussels Lambert as head of private banking from 1991 to 1992, in First Pacific Bank with the last position as an executive vice president, from 1992 to 2001, and in United Commercial Bank (later acquired by East West Bank) as an executive vice president and a president of Greater China region, from 2003 to 2010. Mr. Tsui is also a member of audit committee and an independent non-executive director of Oriental Explorer Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 430), and a member of audit committee and remuneration committee and an independent non-executive director of Multifield International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 898), since 2010. In 2012, Mr. Tsui was appointed as an independent non-executive director of Southeast Asia Properties & Finance Limited, a company listed on the Main Board of the Stock Exchange (stock code: 252).

Mr. Tsui graduated from The Chinese University of Hong Kong with a Bachelor of Arts in December 1976 and obtained his master's degree in Business Administration from The Chinese University of Hong Kong in December 1982.

**Mr. Kan Yau Wo (簡友和)**, aged 60, is an independent non-executive Director of our Company. He joined our Group on 23 July 2013 when he was appointed as an independent non-executive Director.

Mr. Kan has been working with Fujitsu's group of companies for over 30 years and was appointed as the president in Fujitsu Hong Kong Ltd in 2007 and then the chief executive officer of Fujitsu's South China and Hong Kong Region. Mr. Kan retired from his positions in Fujitsu's group of companies in 2011.

Mr. Kan graduated from University of Hull in United Kingdom with Bachelor of Science (First Class Honour) in Computer Studies and Mathematics in July 1978.

**Mr. Mok Kwai Pui Bill (莫貴標)**, aged 52, is an independent non-executive Director of our Company. He joined our Group on 23 July 2013 when he was appointed as an independent non-executive Director.

Mr. Mok has accumulated approximately 24 years of experience in auditing, accounting and finance, and has held various management positions in companies listed on the Stock Exchange and

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## DIRECTORS AND SENIOR MANAGEMENT

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the United Kingdom. Mr. Mok began his career in public accounting in the United States. After returning to Hong Kong in 1988, he joined Price Waterhouse (currently known as PricewaterhouseCoopers) as a staff accountant and then was promoted to deputy manager from 1988 to 1993. From 1993 to 1995, he was acting in the position as a finance and administration manager for a publication company. Mr. Mok then served as a finance manager of the PRC projects in Hong Kong and China Gas Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0003) from 1995 to 1996. In 1996, Mr. Mok joined the investment industry where he worked as an investment analyst in a financial services company from 1996 to 1999. From 1999 to 2003, Mr. Mok acted as a vice president in equity research in the investment arm of an insurance group. Mr. Mok then joined the property and hotel industry where he acted as the chief financial officer of Far East Consortium International Limited (“FEC”) from 2004 to 2010, a company listed on the Main Board of the Stock Exchange (stock code: 0035). After FEC’s hotel division was spun-off to form Kosmopolito Hotels International Limited (currently known as Dorsett Hospitality International Limited; stock code: 2266) in 2010 to become a company separately listed on the Main Board of the Stock Exchange, Mr. Mok was appointed as the president, an executive director, and a member of the remuneration committee of Kosmopolito Hotel International Limited from 2010 to 2011. In November 2011, Mr. Mok resigned as the president and an executive director of Kosmopolito Hotels International Limited and remained as a non-executive director till August 2012. Since November 2011, Mr. Mok has served as the chief financial officer of Fortune Oil PLC, a company listed in the London Stock Exchange (stock code on the London Stock Exchange: FTO).

Mr. Mok graduated from the University of Washington in the United States with a Bachelor of Arts degree in June 1984 and obtained his master’s degree in Business Administration from Seattle University in the United States in December 1987. Mr. Mok is a member of the American Institute of Certified Public Accountants and a member of the HKICPA since July 1993 and September 1994, respectively.

**Mr. Lee Chung Yiu Johnny (李宗耀)**, aged 69, is an independent non-executive Director of our Company. He joined our Group on 23 July 2013 when he was appointed as an independent non-executive Director.

With approximately 18 years’ experience in the field of architecture, Mr. Lee worked in several architect firms including as a director from 1995 to 2009, respectively. From 2009, Mr. Lee has been working for an architecture company as a project director.

Mr. Lee graduated from the University of Hong Kong with a bachelor’s degree in Architecture in November 1968. He is a member of the Hong Kong Institute of Architects and a registered architect with Architects Registration Board in Hong Kong since April 1977 and January 1991, respectively. Mr. Lee is also an authorised person within the List of Architects maintained by the Buildings Department.

Save as disclosed, each of the Directors has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there were no other matters with respect of the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

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## DIRECTORS AND SENIOR MANAGEMENT

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### SENIOR MANAGEMENT

**Mr. Chan Hung Ming (陳孔明)**, aged 59, is the Chairman and executive Director of our Company. Biographical details of Mr. Chan are set out in the paragraph headed “Directors” of this section.

**Mr. Lau Chi Wah (劉志華)**, aged 48, is the executive Director and chief executive officer of our Company. Biographical details of Mr. Lau are set out in the paragraph headed “Directors” of this section.

**Mr. Yuen Ying Wai (袁英偉)**, aged 50, is the executive Director of our Company. Biographical details of Mr. Yuen are set out in the paragraph headed “Directors” of this section.

**Mr. Kwan Wing Wo (關永和)**, aged 45, is the executive Director and chief financial officer of our Company. Biographical details of Mr. Kwan are set out in the paragraph headed “Directors” of this section.

**Mr. Au-Yeung Yiu Wai (歐陽耀偉)**, aged 56, is a director in Grand Tech Construction and a member of our internal control committee. Mr. Au-Yeung is also a member of our safety committee. Mr. Au-Yeung joined our Group in August 1997 as a project manager and was appointed as a director of Grand Tech Construction in October 1999. Mr. Au-Yeung is our project director responsible for supervising our project managers and overseeing matters in relation to our construction contracts. With approximately 33 years of experience in the construction industry, Mr. Au-Yeung worked as an apprentice draftsman in a private construction company from 1979 to 1981, as a draftsman in a consulting civil and structural engineering company from 1981 to 1985 and was promoted to a graduate building technologist when he rejoined the aforesaid company in 1988 until 1989. He served as a project manager in another private construction company from 1989 to 1994 and from 1995 to 1996. During the years from 1996 to 1997, he served as a project manager of another private construction company.

Mr. Au-Yeung obtained a higher certificate in civil engineering from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in November 1985, then a Bachelor of Science in building from Brighton Polytechnic (now known as University of Brighton) in July 1988, and a diploma in construction management from the Hong Kong Construction Industry Training Authority in October 1991. Alongside the aforesaid, he has successfully completed the registered assessor training course and is a registered safety officer since January 1999. Mr. Au-Yeung has been a member to both the Chartered Institute of Building as well as the Hong Kong Institute of Construction Managers since August 2001 and November 2001 respectively.

**Mr. Ng Kwok Fong (伍國方)**, aged 42, is a director in Grand Tech Construction and a member of our internal control committee. Mr. Ng joined the said company in 1998 as an assistant project manager. He assumed directorship in May 1999 and has since then served as the technical director of Grand Tech Construction in respect of our building design and construction projects. Mr. Ng also worked in a consulting engineer firm from 1995 to 1998.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Ng obtained a Bachelor of Engineering in civil engineering from Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in November 1994, a Bachelor of Laws from the University of London in August 2003 and a Master of Laws degree from the City University of Hong Kong in November 2004. With dual membership in the Institution of Structural Engineers in the United Kingdom and the Hong Kong Institution of Engineers, Mr. Ng is a chartered engineer of the United Kingdom as well as a registered professional engineer of Hong Kong.

### COMPANY SECRETARY

**Mr. Leung Wai Chuen (梁偉泉)**, aged 47, joined our Group on 23 July 2013 as company secretary of our Company. Mr. Leung has over 22 years of experience in auditing, accounting and financial management and company secretarial matters. He previously worked at the audit department of Price Waterhouse (now known as PricewaterhouseCoopers) from 1989 to 1992. He then held senior finance/audit positions in several private companies from 1992 to 2000. He had also worked for companies listed on the Stock Exchange, as an accountant at China Overseas Land & Investment Limited (stock code: 688) from 2000 to 2001 and a financial controller at WLS Holdings Limited (stock code: 8021) from 2001 to 2004. He then joined Sinobest Technology Holdings Ltd, a company listed on Main Board of the Singapore Exchange Limited, as a chief financial officer from 2005 to 2008. He worked for Neo-Neon Holdings Limited (stock code: 1868), a company listed on the Main Board of the Stock Exchange, as a financial controller from 2008 to 2009, as a company secretary from February 2009 to May 2009, and as a non-executive Director from 2009 to 2010. Mr. Leung was also the chief financial officer from 2009 to 2012 and company secretary from 2011 to 2012 of Tang Palace (China) Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1181).

Mr. Leung obtained a bachelor's degree in social sciences from the University of Hong Kong in December 1989, a master's degree in business administration jointly awarded by the University of Wales and the University of Manchester in July 2001 and a master's degree in business (logistics management) from Royal Melbourne Institute of Technology (now known as RMIT University) in September 2007. He is a practicing member of the HKICPA, a fellow of the Association of Chartered Certified Accountants of the United Kingdom and an associate of the Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators respectively.

Save as disclosed, each of the senior management and the company secretary of our Company has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

### MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. At present, Mr. Chan, Mr. Lau, Mr. Yuen Ying Wai and Mr. Kwan Wing Wo, the executive Directors of our Company are ordinarily resident in Hong Kong.

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## DIRECTORS AND SENIOR MANAGEMENT

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### BOARD COMMITTEES

#### Audit Committee

Our Company established an audit committee on 23 July 2013 with its written terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board.

Our audit committee consists of four members, being Mr. Mok Kwai Pui Bill, Mr. Tsui Ka Wah, Mr. Lee Chung Yiu Johnny and Mr. Kan Yau Wo. Mr. Mok Kwai Pui Bill currently serves as the chairman of our audit committee.

#### Remuneration Committee

Our Company established a remuneration committee on 23 July 2013 with its written terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to evaluate the performance and make recommendations on the remuneration of our Directors and senior management.

Our remuneration committee consists of four members, being Mr. Tsui Ka Wah, Mr. Mok Kwai Pui Bill, Mr. Lee Chung Yiu Johnny and Mr. Kan Yau Wo. Mr. Tsui Ka Wah currently serves as the chairman of our remuneration committee.

#### Nomination Committee

Our Company established a nomination committee on 23 July 2013 with its written terms of reference by reference to the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

Our nomination committee consists of four members, being Mr. Mok Kwai Pui Bill, Mr. Tsui Ka Wah, Mr. Lee Chung Yiu Johnny and Mr. Kan Yau Wo. Mr. Kan Yau Wo currently serves as the chairman of our nomination committee.

### COMPLIANCE ADVISER

Our Company has appointed Cinda International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser (when consulted) will advise our Company on the following matters:

- (i) the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

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## DIRECTORS AND SENIOR MANAGEMENT

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- (iii) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment of our compliance adviser shall commence on the Listing Date and end on the date on which our Company distributes our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.



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## SHARE CAPITAL

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### AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital immediately following completion of the Capitalisation Issue and the Share Offer:

		<i>HK\$</i>
<b>Authorised share capital:</b>		
10,000,000,000	Shares of HK\$0.01 each	100,000,000
<b>Shares issued and to be issued, fully paid or credited as fully paid:</b>		
10,000	Shares in issue at the date of this prospectus	100
299,990,000	Shares to be issued pursuant to the Capitalisation Issue	2,999,900
100,000,000	Shares to be issued pursuant to the Share Offer (excluding any Shares which may be issued under the Over-allotment Option and any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme)	1,000,000
400,000,000	Total:	4,000,000

### ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional.

The table takes no account of Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issuing Mandate (as defined hereinbelow) given to our Directors to allot and issue or repurchase Shares as described below.

### RANKING

The Offer Shares and the Shares that may be issued pursuant to the exercise of the Over-allotment Option will rank *pari passu* in all respects with all other existing Shares in issue as mentioned in this prospectus, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus save for entitlements under the Capitalisation Issue.

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## SHARE CAPITAL

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### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 23 July 2013. The Share Option Scheme is established to recognise and acknowledge the contributions of the eligible participants of the scheme have had or may have made to our Group. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. Further details of the rules of the Share Option Scheme are set out in the paragraph headed “Share Option Scheme” of the section headed “Statutory and General Information” in Appendix V to this prospectus.

### SHARE AWARD PLAN

Our Company has conditionally adopted the Share Award Plan on 23 July 2013 in which the eligible participants of the plan may be granted awards of Shares.

The purpose of the Share Award Plan is to recognise and reward the contribution the eligible participants of the plan to the growth and development of our Group, to give incentives thereto in order to retain them for the continual operation and development of our Group and to attract suitable personnel for further development of our Group through an award of Shares.

Please refer to the paragraph headed “Share Award Plan” of the section headed “Statutory and General Information” in Appendix V to this prospectus for a summary of the principal terms of the Share Award Plan.

As at the Latest Practicable Date, no awards have been granted or agreed to be granted under the Share Award Plan, and the Share Award Plan Trustee for the administration of the Shares and other trust fund under the Share Award Plan has not yet been appointed.

### Issuing Mandate

Our Directors have been granted the Issuing Mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of (a) 20% of the aggregate nominal value of the share capital of our Company in issue as enlarged by the Share Offer and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the Over-allotment Option); and (b) the aggregate nominal value of the share capital of our Company which may be repurchased by our Company under the Repurchase Mandate.

Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Scheme. The aggregate nominal value of the Shares which our Directors are authorised to allot and issue under this Issuing Mandate will not be reduced by the allotment and issue of such Shares.

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## SHARE CAPITAL

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This Issuing Mandate will expire:

- (i) at the conclusion of our Company's next annual general meeting; or
- (ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting;

whichever occurs first.

For further details of the Issuing Mandate, see the paragraph headed "Resolutions in writing of the Shareholders passed on 23 July 2013" of the section headed "Statutory and General Information" in Appendix V to this prospectus.

### REPURCHASE MANDATE

Our Directors have been granted the Repurchase Mandate to exercise all of the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the Share Offer and the Capitalisation Issue (but excluding any Shares of our Company which may be issued pursuant to the Over-allotment Option).

This Repurchase Mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the paragraph headed "Securities repurchase mandate" of the section headed "Statutory and General Information" in Appendix V to this prospectus.

This Repurchase Mandate will expire:

- (i) at the conclusion of our Company's next annual general meeting; or
- (ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting;

whichever occurs first.

For further information about this Repurchase Mandate, please see the paragraph headed "Resolutions in writing of the Shareholders passed on 23 July 2013" of the section headed "Statutory and General Information" in Appendix V to this prospectus.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis of our financial condition and our results of operations together with our financial information included in the Accountants' Report set out in Appendix I to this prospectus. The combined financial information contained in the Accountants' Report has been prepared in accordance with HKFRSs. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in the section headed "Risk Factors" in this prospectus.*

### OVERVIEW

We are an established building contractor in Hong Kong focusing on providing building construction services as a main contractor in residential property development projects for prominent local developers. We have also developed a data centre building which we hold as our investment properties and conduct our data centre premises leasing business as a wholesale co-location provider. Our total turnover was approximately HK\$458.0 million, HK\$1,058.1 million and HK\$773.7 million for the years ended 31 March 2011 and 2012 and 2013, respectively, of which, revenue from our construction business accounted for approximately 76.4%, 87.6% and 82.7% of our total turnover, respectively, and revenue from our data centre premises leasing business accounted for approximately 23.6%, 12.4% and 17.3% of our total turnover, respectively. For the years ended 31 March 2011 and 2012 and 2013, our profit was approximately HK\$247.7 million, HK\$101.9 million and HK\$149.0 million, respectively, which included the fair value gains on our investment properties of approximately HK\$201.9 million, HK\$43.0 million and HK\$67.4 million, respectively.

### BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 14 August 2012 as part of the Reorganisation as detailed in the section headed "History, Development and Reorganisation" in this prospectus. The companies taking part in the Reorganisation were controlled by Mr. Chan. Pursuant to the Reorganisation completed on 19 July 2013, our Company became the holding company of the companies now comprising our Group.

As all the companies now comprising our Group were controlled by Mr. Chan before and after the Reorganisation, there was a continuation of the risks and benefits to Mr. Chan and, therefore, the Reorganisation is considered to be a restructuring of businesses under common control. The financial information has been prepared using the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period. The assets and liabilities of the companies that took part in the Reorganisation are combined using the existing book values from the Controlling Shareholder's perspective.

The combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of our Group for the Track Record Period as set out in Section A of the Accountants' Report in Appendix I to this prospectus include the results of operations of the companies now comprising our Group (or where the companies were incorporated at a date later than 1 April 2010, for the period from the date of

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## FINANCIAL INFORMATION

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incorporation to 31 March 2013) as if the current group structure had been in existence and remained unchanged throughout the Track Record Period. The combined balance sheets of our Group as at 31 March 2011, 2012 and 2013 as set out in Section A of the Accountants' Report in Appendix I to this prospectus have been prepared to present the state of affairs of the companies now comprising our Group as at those dates as if the current group structure had been in existence as at the respective dates.

Intra-group balances and transactions are eliminated in full in preparing the financial information.

### **FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS**

The major factors affecting our business, financial condition and results of operations are set out below.

#### **General economic condition and regulatory environment in Hong Kong**

General economic condition in Hong Kong has affected and may continue to affect our business and results of operations. Economic conditions in Hong Kong directly affect the demand for residential properties and therefore the construction activities in Hong Kong and our revenue from our provision of construction services. Furthermore, any changes in the laws, regulations and policies governing the construction industry in Hong Kong may also affect our provision of construction services to our customers. In addition, the general economic conditions in Hong Kong and any changes in the existing Government policies and incentive schemes to encourage establishment of more data centres in Hong Kong may affect the demand for high-tier data centres in Hong Kong and the future expansion and prospects of our data centre premises leasing business.

#### **Revenue from construction contracts**

During the Track Record Period, a substantial part of our turnover was derived from our construction business. For the years ended 31 March 2011, 2012 and 2013, our revenue generated from the construction business was approximately HK\$349.8 million, HK\$926.8 million and HK\$640.1 million, respectively, representing approximately 76.4%, 87.6% and 82.7%, respectively, of our total turnover during the same period. The recognition of revenue from a construction contract within any financial period is dependent on the estimation on the outcome of the construction contract, as well as the work done to date with reference to work progress pursuant to such contract. For more information on the revenue recognition, please see the Accountants' Report set out in Appendix I to this prospectus. As our construction contracts may take months, or years, to complete, the number of contracts and progress of each contract we undertake in any period may affect our results of operations and lead to fluctuations in revenue recognised from period to period.

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## FINANCIAL INFORMATION

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### **Pricing of our construction projects and variation works**

During the Track Record Period, a substantial part of our turnover was derived from our construction projects. Other than certain minor construction projects of smaller contract value which were obtained by means of direct quotation, all construction projects are obtained by means of tender. The tender prices for such projects are based on our estimated project costs plus a mark-up margin. Given the keen competition of the construction industry, while we endeavour to maintain an adequate profit margin, we also have to ensure that we price our projects competitively, and the gross profit margins for our construction business during the Track Record Period amounted to approximately 3.1%, 2.2% and 6.4%, respectively. Our failure to strike a balance between pricing our projects competitively and maintaining an adequate profit margin or price our tenders accurately will affect our financial performance and results of operations.

Our customers may also request us to alter our scope of works or perform additional works further to the terms and scope of the original construction contract in the course of our project implementation. We estimate the costs of each variation order and may negotiate with the customers for charge of additional costs incurred. Our Group, as a main contractor, bears the risk of the fluctuations in price of our construction materials for variation works and there is a possibility that the additional costs incurred cannot be passed on to customers. As such, disagreements with our customers may arise in respect of the fees, costs and scope of the above-mentioned variation works. Where the customers or their consultants and our Group fail to reach an agreement on the price at which the variation works are performed, the customers or their consultants shall fix the price which, is in their opinion, reasonable. Contractual disputes with our customers may arise if we do not agree with such price, and in such event our results of operations and financial position may be adversely affected.

### **Fluctuations in material costs**

The main components of our estimated project costs are sub-contracting fees and material costs. The sub-contracting agreements we enter into with our sub-contractors are generally fixed price contracts where the sub-contracting fees are pre-determined at the time we commence a construction project. However, while we estimate our construction material costs when we price our tenders for construction projects, the actual costs may fluctuate during the course of implementation of the construction project depending on the terms of the supply agreements we enter into with our suppliers. Any deviation between the estimated material costs at the time we submit the tenders and the actual costs to complete the projects may affect our financial performance and profitability. For the years ended 31 March 2011, 2012 and 2013, our material costs amounted to approximately HK\$85.0 million, HK\$65.6 million and HK\$28.4 million, respectively, and accounted for approximately 23.3%, 7.0% and 4.5% of our direct costs, respectively.

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## FINANCIAL INFORMATION

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our costs of construction materials on our profit before taxation during the Track Record Period. Fluctuations in our costs of construction materials are assumed to be 1%, 5%, 17% and 20%, which is commensurate with historical fluctuations in the prices of our major construction materials during the Track Record Period as derived from the fluctuation in purchase price of our steel and concrete which accounted for over 73% of our construction material costs during the Track Record Period:

Hypothetical fluctuations	+/-1%	+/-5%	+/-17%	+/-20%
<b>Increase/decrease in costs of construction materials (HK\$'000)</b>				
For the year ended 31 March 2011	+/-850	+/-4,252	+/-14,456	+/-17,007
For the year ended 31 March 2012	+/-656	+/-3,279	+/-11,148	+/-13,116
For the year ended 31 March 2013	+/-284	+/-1,418	+/-4,822	+/-5,673
<b>Decrease/increase in profit before taxation (HK\$'000)</b>				
For the year ended 31 March 2011	-/+850	-/+4,252	-/+14,456	-/+17,007
For the year ended 31 March 2012	-/+656	-/+3,279	-/+11,148	-/+13,116
For the year ended 31 March 2013	-/+284	-/+1,418	-/+4,822	-/+5,673

For the years ended 31 March 2011, 2012 and 2013, our gross profit from the construction business amounted to approximately HK\$10.9 million, HK\$20.1 million and HK\$41.2 million, respectively. For illustrative purpose, we would have recorded a breakeven in our gross profit from the construction business if the costs of steel and concrete, being our major construction materials, increased by approximately 13.0%, 43.4% and 2,165.7%, respectively over the corresponding period.

### Cost of financing

Bank loans are an important source of funding for our business. As at 31 March 2011, 2012 and 2013, our outstanding bank loans amounted to approximately HK\$837.1 million, HK\$698.0 million and HK\$828.1 million, respectively. Our bank loans bore interest at rates ranging from 2.05% to 6.00%, 2.11% to 6.00% and 2.25% to 6.00% per annum for the years ended 31 March 2011, 2012 and 2013, respectively and are closely linked to benchmark lending rates, such as HIBOR or prime rate. The interest rate environment is not stable and the interest rates may fluctuate subject to various factors which are beyond our control. Any fluctuation in any of these benchmark lending rates will affect our interest expenses and cost of financing and may have impact on our financial performance. Please refer to the Accountants' Report set out in Appendix I to this prospectus for the sensitivity analysis of the impact of hypothetical fluctuations in interest rates on our financial performance during the Track Record Period.

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## FINANCIAL INFORMATION

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### Changes in fair value of our investment properties

Our investment properties are carried at their fair value in accordance with HKFRSs. Changes in the fair value of our investment properties upon revaluation are reflected as an unrealised gain or loss in our combined income statements, which may have a substantial effect on our profitability. For the years ended 31 March 2011, 2012 and 2013, our fair value gains on investment properties were approximately HK\$201.9 million, HK\$43.0 million and HK\$67.4 million, respectively, representing approximately 72.5%, 30.8% and 35.5% of our profit from operations, respectively.

The fair values of our investment properties are based on valuations conducted by an independent professional valuer, using valuation techniques that involves professional judgements and adopts certain bases and assumptions, which are further detailed in the section headed “Property Valuation” in Appendix III to this prospectus. The fair value of our investment properties, as so determined at a particular date, may have been higher or lower if the valuer adopted a different set of bases or assumptions. Therefore, we expect our results of operations will continue to be affected by the changes in fair value of our investment properties.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the fair values of our investment properties as at balance sheet date on our profit before taxation during the Track Record Period. Fluctuations are assumed to be 2%, 4% and 13% on the fair values of our investment properties as at the beginning of the periods plus additions during the respective periods, which is commensurate with historical fluctuations in the fair values of our investment properties during the Track Record Period:

<b>Hypothetical fluctuations:</b>	<b>+13%</b>	<b>+4%</b>	<b>+2%</b>	<b>-2%</b>	<b>-4%</b>	<b>-13%</b>
<i>Fair value of investment properties (HK\$'000)</i>						
As at 31 March 2011	1,738,028	1,599,601	1,568,840	1,507,316	1,476,555	1,338,128
As at 31 March 2012	1,966,200	1,809,600	1,774,800	1,705,200	1,670,400	1,513,800
As at 31 March 2013	2,154,464	1,982,869	1,944,737	1,868,473	1,830,341	1,658,746
<i>Increase/(decrease) in profit before taxation (HK\$'000)</i>						
For the year ended 31 March 2011	199,950	61,523	30,762	(30,762)	(61,523)	(199,950)
For the year ended 31 March 2012	226,200	69,600	34,800	(34,800)	(69,600)	(226,200)
For the year ended 31 March 2013	247,859	76,264	38,132	(38,132)	(76,264)	(247,859)



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## FINANCIAL INFORMATION

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### CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

The preparation of our combined financial information for the years ended 31 March 2011, 2012 and 2013 in accordance with HKFRSs requires the use of accounting estimates and assumptions concerning the future. Estimates and judgements that we use in applying our accounting policies are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. Our estimates and assumptions form the basis for making judgements about the carrying values of assets and liabilities when such values are not readily apparent from other sources. Actual results typically differ from our estimates. The estimates and assumptions may have a significant effect on the carrying amounts of assets and liabilities.

The sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our combined financial information. Our Directors believe the following accounting policies are among those that involve the most significant judgements and estimates used in the preparation of our combined financial information. Other significant accounting policies are set forth in details in Note 1 to Section B of the Accountants' Report set out in Appendix I to this prospectus.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Contract revenue*

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(ii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) *Rental related income*

Rental related income is recognised on an accruals basis.

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### (iv) *Dividends*

Dividend income from unlisted investments is recognised when our Group's right to receive payment is established.

### (v) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

### **Investment property**

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

When our Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

### **Construction contracts**

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. 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 costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are included under "Trade and other payables".

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### **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

### **Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when our Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### **Derivative financial instruments**

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

### **Hedging**

#### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

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If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity and is included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

### **Impairment of assets**

#### **(i) *Impairment of investments in securities and other receivables***

Investments in securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of our Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively

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where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When our Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

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### (ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the property, plant and equipment (other than properties carried at revalued amounts) may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

#### — Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

#### — Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

#### — Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

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### RESULTS OF OPERATIONS

Our Group's combined income statements for the years ended 31 March 2011, 2012 and 2013 set forth below are extracted from the Accountants' Report set out in Appendix I to this prospectus.

	<b>For the year ended 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>	457,961	1,058,062	773,700
<b>Direct costs</b>	<u>(364,732)</u>	<u>(941,265)</u>	<u>(633,648)</u>
<b>Gross profit</b>	93,229	116,797	140,052
Other revenue	523	903	3,231
Other net (loss)/income	(2,698)	(8,075)	198
General and administrative expenses	(14,536)	(12,873)	(20,832)
Changes in fair value of investment properties	<u>201,922</u>	<u>43,000</u>	<u>67,395</u>
<b>Profit from operations</b>	278,440	139,752	190,044
Finance costs	<u>(21,549)</u>	<u>(26,323)</u>	<u>(24,085)</u>
<b>Profit before taxation</b>	256,891	113,429	165,959
Income tax	<u>(9,188)</u>	<u>(11,493)</u>	<u>(16,978)</u>
<b>Profit for the year</b>	<u><u>247,703</u></u>	<u><u>101,936</u></u>	<u><u>148,981</u></u>

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### DESCRIPTION OF SELECTED INCOME STATEMENT ITEMS

#### Turnover

Turnover represents revenue we generated from our construction business and data centre premises leasing business in Hong Kong during the Track Record Period. The following table sets forth a breakdown of our turnover by operating segment and the percentage contribution to our total turnover for the periods indicated.

	<b>For the year ended 31 March</b>					
	<b>2011</b>		<b>2012</b>		<b>2013</b>	
	<i>HK\$'000</i>	<i>% to turnover</i>	<i>HK\$'000</i>	<i>% to turnover</i>	<i>HK\$'000</i>	<i>% to turnover</i>
Construction business	349,780	76.4	926,844	87.6	640,112	82.7
Data centre premises leasing business						
- Rental income	97,726	21.3	112,815	10.7	113,049	14.6
- Rental related income	<u>10,455</u>	<u>2.3</u>	<u>18,403</u>	<u>1.7</u>	<u>20,539</u>	<u>2.7</u>
	<u>108,181</u>	<u>23.6</u>	<u>131,218</u>	<u>12.4</u>	<u>133,588</u>	<u>17.3</u>
<b>Total</b>	<u><u>457,961</u></u>	<u><u>100.00</u></u>	<u><u>1,058,062</u></u>	<u><u>100.0</u></u>	<u><u>773,700</u></u>	<u><u>100.0</u></u>



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### *Revenue from the construction business*

Revenue from the construction business was mainly derived from our provision of building construction services as well as existing building alteration, renovation and fitting-out works services in Hong Kong. We recognise revenue from construction contracts based on the stage of completion of the contracts. The stage of completion is established by reference to construction works certified. The following table sets forth a breakdown of our turnover by building construction contracts and building alteration, renovation and fitting-out contracts for the periods indicated.

	<b>For the year ended 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Building construction projects</b>			
Welfare Road (superstructure)	151,096	710,402	471,378
Welfare Road (foundation)	98,547	26,480	1,980
Shing On Street	10,740	105,708	68,508
Stubbs Road (superstructure)	39,595	4,590	6,476
Kwok Shui Road	13,368	29,842	—
Stanley Street	11,971	—	—
Beach Road (superstructure)	4,024	1,327	330
Pok Fu Lam Road	3,744	1,422	—
Shelley Street	6,387	—	—
Johnston Road	2,325	—	—
Connaught Road West	—	—	22,911
	<u>341,797</u>	<u>879,771</u>	<u>571,583</u>
<b>Existing building alteration, renovation and fitting-out projects</b>			
University campus (teaching facilities — learning commons)	—	14,235	—
University campus (teaching facilities — front office)	—	—	6,890
University campus (catering facilities)	—	17,840	1,969
University campus (student facilities)	—	9,265	1,507
University campus (other sundry jobs)	873	1,627	2,384
Shek O Road	2,018	—	—
Lockhart Road	700	—	—
Yip Fat Street	1,680	29	—
Beach Road (fitting-out)	—	—	47,325
Beach Road (alteration)	—	—	2,656
San On Street (external wall redecoration at Tuen Mun)	—	657	2,464
Other minor jobs	2,712	3,420	3,334
	<u>7,983</u>	<u>47,073</u>	<u>68,529</u>
<b>Total</b>	<u><u>349,780</u></u>	<u><u>926,844</u></u>	<u><u>640,112</u></u>

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### *Revenue from data centre premises leasing business*

Revenue from the data centre premises leasing business was mainly derived from the leasing of our raised floor space in our data centre building and our rental income is recognised on a straight-line basis over the lease term (including any rent free periods). Rental related income primarily represents the charges on our customers for their electricity consumption in our data centre building.

### **Direct Costs**

Our direct costs primarily represent costs directly associated with the provision of services under our construction business and the leasing of the premises within our data centre building under our data centre premises leasing business. The table below sets forth a breakdown of our direct costs by nature and percentage contribution to total costs for the periods indicated.

	<b>For the year ended 31 March</b>					
	<b>2011</b>		<b>2012</b>		<b>2013</b>	
	<i>HK\$'000</i>	<i>% to direct costs</i>	<i>HK\$'000</i>	<i>% to direct costs</i>	<i>HK\$'000</i>	<i>% to direct costs</i>
Sub-contracting fees	177,211	48.6	753,846	80.1	463,545	73.2
Construction materials	85,037	23.3	65,578	7.0	28,365	4.5
Staff costs	41,737	11.5	51,340	5.5	52,859	8.3
Site overhead	10,306	2.8	33,060	3.5	26,414	4.2
Electricity	12,857	3.5	21,062	2.2	23,589	3.7
Insurance	20,805	5.7	455	0.0	19,803	3.1
Others	<u>16,779</u>	<u>4.6</u>	<u>15,924</u>	<u>1.7</u>	<u>19,073</u>	<u>3.0</u>
<b>Total</b>	<u><u>364,732</u></u>	<u><u>100.0</u></u>	<u><u>941,265</u></u>	<u><u>100.0</u></u>	<u><u>633,648</u></u>	<u><u>100.0</u></u>

Being the largest component of our direct costs during the Track Record Period, sub-contracting fees represent service fees paid to our sub-contractors for various services. Construction materials primarily include costs of procuring materials such as reinforcement steel and concrete for construction projects. Site overhead primarily represents the costs of miscellaneous site expenditure such as hiring of plant and machinery and establishment of temporary site offices. Electricity represents electricity expenses incurred in our data centre building and construction sites. Others mainly include finance costs, repair and maintenance expenses, government rent and rates, cost for rectification works, security fees, consultancy fees, transportation fees and other sundry expenses. For the years ended 31 March 2011, 2012 and 2013, approximately 92.9%, 96.3% and 94.5%, respectively, of our direct costs was incurred in our construction business, while approximately 7.1%, 3.7% and 5.5%, respectively, of our direct costs was incurred in our data centre premises leasing business.

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For the year ended 31 March 2011, we incurred a higher percentage of direct costs in construction materials than other periods of the Track Record Period, which was primarily due to the construction material costs incurred in the early stage of a building construction project of relatively large contract sum, namely, the Welfare Road (superstructure) project, which commenced in late 2010. We incurred significant amount of insurance expenses of (i) approximately HK\$20.8 million for the year ended 31 March 2011, which was mainly attributable to the commencement of two building construction projects with a relatively large contract sum during that period, namely the Welfare Road (superstructure) project and the Shing On Street project; and (ii) approximately HK\$19.8 million for the year ended 31 March 2013, which was mainly attributable to the commencement of a building construction project and an existing building fitting-out project with a relatively large contract sum during that period, namely, the Connaught Road West project and the Beach Road (fitting-out) project, respectively.

Consultancy fees paid to a consultant for technical advice and solutions on the infrastructure design of high-tier data centre building and the implementation thereof as well as the day-to-day operation of iTech Tower, for the years ended 31 March 2011, 2012 and 2013 were approximately HK\$1.1 million, HK\$1.1 million and HK\$1.1 million, respectively. The consultant which provided the aforementioned consultancy services is a local consultancy firm and is an Independent Third Party.

The table below sets forth a breakdown of our direct costs by business segment and the percentage contribution to our total direct costs for the periods indicated.

	<b>For the year ended 31 March</b>					
	<b>2011</b>		<b>2012</b>		<b>2013</b>	
	<i>HK\$'000</i>	<i>% to direct costs</i>	<i>HK\$'000</i>	<i>% to direct costs</i>	<i>HK\$'000</i>	<i>% to direct costs</i>
Construction business	338,896	92.9	906,769	96.3	598,899	94.5
Data centre premises leasing business	<u>25,836</u>	<u>7.1</u>	<u>34,496</u>	<u>3.7</u>	<u>34,749</u>	<u>5.5</u>
<b>Total</b>	<u><u>364,732</u></u>	<u><u>100.0</u></u>	<u><u>941,265</u></u>	<u><u>100.0</u></u>	<u><u>633,648</u></u>	<u><u>100.0</u></u>

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### Gross Profit

Our gross profit was approximately HK\$93.2 million, HK\$116.8 million and HK\$140.1 million for the years ended 31 March 2011, 2012 and 2013, respectively. The following table sets out our gross profits and gross profit margins by business segment for the periods indicated.

	For the year ended 31 March					
	2011		2012		2013	
	Gross profit <i>HK\$'000</i>	Gross profit margin %	Gross profit <i>HK\$'000</i>	Gross profit margin %	Gross profit <i>HK\$'000</i>	Gross profit margin %
Construction business						
— Building construction	5,685	1.7	18,873	2.1	31,749	5.6
— Existing building alteration, renovation and fitting-out	5,199	65.1	1,202	2.6	9,464	13.8
<b>Sub-total</b>	10,884	3.1	20,075	2.2	41,213	6.4
Data centre premises leasing business	<u>82,345</u>	76.1	<u>96,722</u>	73.7	<u>98,839</u>	74.0
<b>Total</b>	<u>93,229</u>	20.4	<u>116,797</u>	11.0	<u>140,052</u>	18.1

### Other revenue

Other revenue primarily comprises bank interest income, dividend income from unlisted securities and others. Other revenue amounted to approximately HK\$0.5 million, HK\$0.9 million and HK\$3.2 million for the years ended 31 March 2011, 2012 and 2013, respectively.

### Other net (loss)/income

Other net (loss)/income mainly comprises net unrealised (loss)/gain on derivative financial instruments, net foreign exchange gain/(loss), net realised gain on foreign exchange forward contracts and gain on disposal of available-for-sale securities.

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The table below sets forth a breakdown of our other net (loss)/income for the periods indicated.

	<b>For the year ended 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net unrealised (loss)/gain on derivative financial instruments	(3,020)	(8,477)	174
Net foreign exchange gain/(loss)	49	68	(18)
Net realised gain on foreign exchange forward contracts	275	210	6
Gain on disposal of available-for-sale securities	—	110	—
Others	<u>(2)</u>	<u>14</u>	<u>36</u>
	<u>(2,698)</u>	<u>(8,075)</u>	<u>198</u>

We recorded other net loss of approximately HK\$2.7 million and HK\$8.1 million for the years ended 31 March 2011 and 2012, respectively, but recorded other net income of approximately HK\$0.2 million for the year ended 31 March 2013.

We entered into four interest rate swap contracts to reduce our exposure to fluctuations in interest rates on bank borrowings during the Track Record Period. We also entered into two foreign exchange forward contracts during the Track Record Period which expired in September 2011 and April 2012, respectively. In addition, during the Track Record Period, we invested in mutual funds which are classified as available-for-sale securities and pledged with a financial institution as security for our banking facilities for construction projects.

### General and administrative expenses

The following table sets forth a breakdown of our general and administrative expenses for the periods indicated.

	<b>For the year ended 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs	9,749	8,628	5,783
Depreciation	1,314	1,153	1,390
Management fees	1,017	—	—
Professional fees	540	968	2,322
Listing expenses	—	—	8,276
Others	<u>1,916</u>	<u>2,124</u>	<u>3,061</u>
<b>Total</b>	<u>14,536</u>	<u>12,873</u>	<u>20,832</u>

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Our general and administrative expenses amounted to approximately 3.2%, 1.2% and 2.7% of our turnover for the years ended 31 March 2011, 2012 and 2013, respectively. Staff costs mainly include salaries, wages and bonus, contributions to defined contribution retirement plan and directors' remuneration. Management fees represent management fees paid to the former holding company, Grand Ming Holdings. Professional fees mainly represent professional fees for valuation of our investment properties and auditors' remunerations. Others mainly include staff welfare and transportation expenses.

### *Listing expenses*

The total expenses for the Listing to be borne by our Company are estimated to be HK\$27.6 million, of which approximately HK\$9.4 million is directly attributable to the issue of new Shares to the public and to be accounted for as a deduction from equity and approximately HK\$18.2 million is to be charged to profit or loss of our Group. The listing expenses of approximately HK\$8.3 million were charged to the profit or loss of our Group for the year ended 31 March 2013, and approximately HK\$9.9 million are expected to be charged to the profit or loss of our Group for the year ending 31 March 2014. Please note that the total listing expenses are the latest best estimate for reference only and the actual amount may differ from this estimate.

### **Changes in fair value of investment properties**

Our data centre building, named iTech Tower, and our TCP Land situated at Ta Chuen Ping Street for the development of our second data centre building were classified and held as investment properties and carried at their fair values in accordance with HKFRSs. Increases in the fair value of our investment properties upon revaluation are reflected as an unrealised gain in our combined income statements during the Track Record Period. The fair value of our investment properties, which was estimated by an independent professional valuer, was HK\$1,740.0 million, HK\$1,783.0 million and HK\$1,974.0 million as at 31 March 2011, 2012 and 2013, respectively. For the years ended 31 March 2011, 2012 and 2013, our fair value gains on investment properties were approximately HK\$201.9 million, HK\$43.0 million and HK\$67.4 million, respectively, representing approximately 72.5%, 30.8% and 35.5% of our profit from operations, respectively.

### *Our data centre building*

The following table sets forth the fair values and monthly rental income of our data centre building as at the dates indicated.

	<b>As at 31 March</b>					
	<b>2011</b>		<b>2012</b>		<b>2013</b>	
	<i>Monthly rental</i>	<i>Fair value</i>	<i>Monthly rental</i>	<i>Fair value</i>	<i>Monthly rental</i>	<i>Fair value</i>
	<i>HK\$'000</i>	<i>HK\$million</i>	<i>HK\$'000</i>	<i>HK\$million</i>	<i>HK\$'000</i>	<i>HK\$million</i>
Our data centre building	8,400	1,740	8,939	1,783	9,110	1,812

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The fair values of our data centre building are based on valuations conducted by an independent professional valuer, Colliers International (Hong Kong) Limited (“Colliers”). Colliers adopted the income approach in valuing our data centre building, which involves the use of discounted cash flow method and the results of which are cross-checked to the valuation using income capitalisation method.

The income approach - discounted cash flow method (the “DCF”) is the projection of a series of periodic cash flows for an income generating property, along with an estimate of the terminal value with an appropriate discount rate applied to reflect the present value. For which, the periodic cash flow is estimated as gross income less vacancy, operating expenses and other outgoings. In Colliers’ valuation of our iTech Tower as at 31 March 2013, the terminal value was estimated at approximately HK\$1,849.3 million. The DCF is carried out on an annualised basis over a ten-year investment horizon. In undertaking this analysis, assumptions are made in respect of various key factors, including but not limited to, monthly rental income based on existing tenancies, anticipated rental growth rate, allowance for agency or marketing costs and vacancy loss resulting from expired tenancies, anticipated increase in outgoing expenses, estimated discount rate and terminal capitalisation rate. Set out below are the key assumptions adopted by Colliers in the valuation of our iTech Tower as at 31 March 2013 using the DCF:

<b>Key assumptions</b>	<b>Our iTech Tower</b>
Average rental growth rate <sup>(Note 1)</sup>	4.5%, with reference to the historical growth rate of the property market
Allowance for agency or marketing costs and vacancy loss resulting from expired tenancies <sup>(Note 2)</sup>	Nil, taking into account the long lease term and tenants assumed to renew the tenancies upon expiration as our iTech Tower is purpose-built and hence no vacancy loss is expected
Average rate of increase in outgoings	2.6%, with reference to the change in the consumer price index
Discount rate and terminal capitalisation rate	6% and 4.5% respectively, with reference to average market yields for recent industrial transactions in the market and taking into account the size, tenure, marketability, quality of improvements and potential for capital gain of the properties

*Note 1:* In assuming the 4.5% average rental growth rate, Colliers has taken into account the lease terms of our Group’s existing rental agreements, the exact rental receivable and the agreed rental revision clauses under the existing tenancy agreements. Further, since the DCF analysis was carried out over a ten-year investment horizon and some of the leases will be expired within such period, Colliers also considered that the rental charge of the expired leases will be re-determined with reference to the market condition at the date of entering into of new agreements.

*Note 2:* In assuming no allowance for agency or marketing costs and vacancy loss resulting from expired tenancies, Colliers has taken into consideration the likelihood of our existing tenants exercising the termination clause under the rental agreements. Given that the iTech Tower is a purpose-built data centre building, unlike office premises, it may not be easy for our existing tenants to find a substitute premises for their data centre operation should they decided to terminate the existing rental agreements with our Group. In addition, it is unlikely that

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our existing tenants will have necessary incentive to justify the cost to be involved for them to terminate the existing rental agreements and relocate to another data centre building. Colliers has also taken into account that there had not been any tenants of our Group exercised the termination clause under the respective leasing agreements in the past for such assumption.

For the income approach - income capitalisation method, the value of the properties is derived from the capitalisation of existing rental incomes of all lettable units of the properties at an appropriate capitalisation rate. Set out below are the key assumptions adopted by Colliers in the valuation of our iTech Tower as at 31 March 2013 using the income approach - income capitalisation method to cross check the results of DCF:

<b>Key assumptions</b>	<b>Our iTech Tower</b>
Existing monthly rental income	HK\$9.1 million as at 31 March 2013
Capitalisation rate	6%, with reference to average market yields for recent industrial transactions in the market and taking into account the size, tenure, marketability, quality of improvements and potential for capital gain of the properties

The following sensitivity analysis illustrates the impact of upward/downward adjustment of the key assumptions adopted by Colliers in the DCF, including average rental growth rate, average rate of increase in outgoings, discount rate and terminal capitalisation rate, on the fair value of our data centre building as at the respective valuation dates and our profit before taxation during the Track Record Period. The ranges of hypothetical fluctuations for each of the key assumptions in the sensitivity analysis below are made reference to the historical year-on-year change in the corresponding assumptions as adopted in the valuation of our data centre building as at respective balance sheet dates and the historical change in market conditions.

*Upward/downward adjustment of average rental growth rate adopted in the DCF:*

<b>Hypothetical fluctuations:</b>	<b>+1.00%</b>	<b>+0.50%</b>	<b>- 0.50%</b>	<b>- 1.00%</b>
<i>Fair value of our data centre building (HK\$'000)</i>				
As at 31 March 2011	1,780,000	1,760,000	1,730,000	1,710,000
As at 31 March 2012	1,843,000	1,812,000	1,755,000	1,728,000
As at 31 March 2013	1,878,000	1,844,000	1,781,000	1,751,000
<i>Increase/(decrease) in profit before taxation (HK\$'000)</i>				
For the year ended 31 March 2011	40,000	20,000	(10,000)	(30,000)
For the year ended 31 March 2012	60,000	29,000	(28,000)	(55,000)
For the year ended 31 March 2013	66,000	32,000	(31,000)	(61,000)



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*Downward/upward adjustment of average rate of increase in outgoings adopted in the DCF:*

<b>Hypothetical fluctuations:</b>	<b>-2.6%</b>	<b>-1.3%</b>	<b>+1.3%</b>	<b>+2.6%</b>
<i>Fair value of our data centre building (HK\$'000)</i>				
As at 31 March 2011	1,800,000	1,770,000	1,710,000	1,680,000
As at 31 March 2012	1,839,000	1,812,000	1,750,000	1,714,000
As at 31 March 2013	1,869,000	1,842,000	1,778,000	1,742,000
<i>Increase/(decrease) in profit before taxation (HK\$'000)</i>				
For the year ended 31 March 2011	60,000	30,000	(30,000)	(60,000)
For the year ended 31 March 2012	56,000	29,000	(33,000)	(69,000)
For the year ended 31 March 2013	57,000	30,000	(34,000)	(70,000)

*Downward/upward adjustment of discount rate adopted in the DCF:*

<b>Hypothetical fluctuations:</b>	<b>-0.50%</b>	<b>-0.25%</b>	<b>+0.25%</b>	<b>+0.50%</b>
<i>Fair value of our data centre building (HK\$'000)</i>				
As at 31 March 2011	1,810,000	1,780,000	1,710,000	1,680,000
As at 31 March 2012	1,851,000	1,817,000	1,749,000	1,717,000
As at 31 March 2013	1,881,000	1,846,000	1,778,000	1,745,000
<i>Increase/(decrease) in profit before taxation (HK\$'000)</i>				
For the year ended 31 March 2011	70,000	40,000	(30,000)	(60,000)
For the year ended 31 March 2012	68,000	34,000	(34,000)	(66,000)
For the year ended 31 March 2013	69,000	34,000	(34,000)	(67,000)

*Downward/upward adjustment of terminal capitalisation rate adopted in the DCF:*

<b>Hypothetical fluctuations:</b>	<b>-0.50%</b>	<b>-0.25%</b>	<b>+0.25%</b>	<b>+0.50%</b>
<i>Fair value of our data centre building (HK\$'000)</i>				
As at 31 March 2011	1,800,000	1,770,000	1,720,000	1,690,000
As at 31 March 2012	1,838,000	1,810,000	1,757,000	1,732,000
As at 31 March 2013	1,866,000	1,838,000	1,786,000	1,762,000
<i>Increase/(decrease) in profit before taxation (HK\$'000)</i>				
For the year ended 31 March 2011	60,000	30,000	(20,000)	(50,000)
For the year ended 31 March 2012	55,000	27,000	(26,000)	(51,000)
For the year ended 31 March 2013	54,000	26,000	(26,000)	(50,000)

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*Combined effect of upward/downward adjustment of all the key assumptions, including average rental growth rate, average rate of increase in outgoings, discount rate and terminal capitalisation rate, adopted in the DCF:*

**Hypothetical fluctuations<sup>(Note)</sup>:**

- Average rental growth rate	+1.00%	+0.50%	-0.50%	-1.00%
- Average rate of increase in outgoings	-2.6%	-1.3%	+1.3%	+2.6%
- Discount rate	-0.50%	-0.25%	+0.25%	+0.50%
- Terminal capitalisation rate	-0.50%	-0.25%	+0.25%	+0.50%

*Fair value of our data centre building (HK\$'000)*

As at 31 March 2011	1,960,000	1,850,000	1,640,000	1,540,000
As at 31 March 2012	2,036,000	1,906,000	1,666,000	1,555,000
As at 31 March 2013	2,072,000	1,938,000	1,692,000	1,578,000

*Increase/(decrease) in profit before taxation (HK\$'000)*

For the year ended 31 March 2011	220,000	110,000	(100,000)	(200,000)
For the year ended 31 March 2012	253,000	123,000	(117,000)	(228,000)
For the year ended 31 March 2013	260,000	126,000	(120,000)	(234,000)

*Note:* Unlike other sensitivity analyses that are based on a change in an assumption while holding all other assumptions constant, the sensitivity analysis above is based on a combined effect of upward/downward adjustment of all the key assumptions that, in the opinion of our Directors, is unlikely to occur in practice and changes in some of the key assumptions may not be correlated.

### ***The TCP Land***

The TCP Land is classified as investment properties under development and is carried at its fair value in accordance with the HKFRSs. The fair value of the TCP Land was HK\$162.0 million as at 31 March 2013, which was valued by Colliers using the direct comparison approach which is based on recent comparable market transactions of similar industrial properties in the vicinity with adjustment factors including (i) the date with reference to the difference in market condition between the dates of comparable market transactions and the date of valuation of the TCP Land; (ii) the location with reference to the difference in accessibility to public transport and superiority of the location between the comparables and the TCP Land; (iii) the size difference between the comparables and the TCP Land; and (iv) the site layout as industrial sites with regular shape usually provide higher flexibility for development.

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### Finance costs

Finance costs primarily consist of interest on bank loans and other borrowing costs. The table below sets forth the total finance costs of our Group, amount capitalised as construction contracts in progress and amount charged to profit or loss of our Group during the periods indicated.

	<b>Year ended 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance costs:			
Interest on bank loans wholly repayable:			
— within five years	24,852	32,082	24,030
— after five years	—	—	5,565
Other borrowing costs	<u>439</u>	<u>341</u>	<u>686</u>
	25,291	32,423	30,281
Less: Amount included in construction contracts in progress	<u>(3,742)</u>	<u>(6,100)</u>	<u>(6,196)</u>
	<u><u>21,549</u></u>	<u><u>26,323</u></u>	<u><u>24,085</u></u>

### Income tax

Our Group was not subject to any income tax in the Cayman Islands and BVI during the Track Record Period. The provision for Hong Kong profits tax was calculated at 16.5% of our estimated assessable profits for the Track Record Period.

## PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

### Year ended 31 March 2013 compared to year ended 31 March 2012

#### Turnover

Our turnover decreased by approximately HK\$284.4 million or 26.9%, from approximately HK\$1,058.1 million for the year ended 31 March 2012 to approximately HK\$773.7 million for the year ended 31 March 2013, which was primarily due to the reduction in revenue derived from our construction business.

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### *Construction business*

Our revenue derived from the construction business decreased by approximately HK\$286.7 million or 30.9%, from approximately HK\$926.8 million for the year ended 31 March 2012 to approximately HK\$640.1 million for the year ended 31 March 2013.

Such decrease was primarily due to:

- i) the decrease in revenue recognised by approximately HK\$276.2 million in aggregate for two building construction projects practically completed in the second half of 2012, namely, the Welfare Road (superstructure) project and the Shing On Street project, as a greater portion of these projects were completed during the year ended 31 March 2012 and contributed revenue of approximately HK\$816.1 million in aggregate for this year, while only approximately HK\$539.9 million of revenue in aggregate was recognised for the year ended 31 March 2013;
- ii) no further revenue was recognised during the year ended 31 March 2013 for one of our building construction projects, namely, the Kwok Shui Road project, after the finalisation of its final account during the year ended 31 March 2012, while approximately HK\$29.8 million of revenue was recognised for the year ended 31 March 2012;
- iii) the decrease in revenue recognised by approximately HK\$24.5 million for another building construction project, namely, the Welfare Road (foundation) project, which was practically completed in late 2010 and the final account of which was finalised during the year ended 31 March 2013. Approximately HK\$2.0 million of revenue was recognised for the year ended 31 March 2013 while approximately HK\$26.5 million of revenue was recognised for the year ended 31 March 2012; and
- iv) the decrease in revenue recognised by approximately HK\$37.9 million in aggregate for three of our existing building alteration, renovation and fitting-out projects, including the university campus (teaching facilities — learning commons) project which commenced and completed during the year ended 31 March 2012 and the university campus (catering facilities) project and the university campus (student facilities) project both commenced and had a substantial portion of the related work completed during the year ended 31 March 2012. These projects contributed aggregate revenue of approximately HK\$41.3 million for the year ended 31 March 2012, while only approximately HK\$3.4 million of revenue was recognised in aggregate for the year ended 31 March 2013.

Such decrease in revenue during the year ended 31 March 2013 was partially offset by the recognition of revenue of approximately HK\$70.2 million in aggregate for the year ended 31 March 2013 for one existing building fitting-out project, namely, the Beach Road (fitting-out) project, and one building construction project, namely the Connaught Road West project, which commenced in late 2012 and early 2013, respectively.

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### *Data centre premises leasing business*

Revenue derived from the data centre premises leasing business increased by approximately HK\$2.4 million or 1.8%, from approximately HK\$131.2 million for the year ended 31 March 2012 to approximately HK\$133.6 million for the year ended 31 March 2013. The slightly increase was primarily driven by the increase in our rental related income, which mainly represents the charges on our customers for their electricity consumption in our data centre building, by approximately HK\$2.1 million due to higher electricity consumption.

### **Direct costs**

Our direct costs decreased by approximately HK\$307.7 million or 32.7%, from approximately HK\$941.3 million for the year ended 31 March 2012 to approximately HK\$633.6 million for the year ended 31 March 2013. Such decrease was primarily attributable to the decrease in direct costs incurred in our construction business, which accounted for approximately 96.3% and 94.5% of our total direct costs for the years ended 31 March 2012 and 2013, respectively.

The decrease in direct costs incurred in our construction business by approximately HK\$307.9 million or 34.0%, from approximately HK\$906.8 million for the year ended 31 March 2012 to approximately HK\$598.9 million for the year ended 31 March 2013, was in line with the decrease in our revenue from the construction business by approximately 30.9% during the same period.

Such decrease was primarily due to:

- i) the decrease in direct costs incurred by approximately HK\$271.4 million in aggregate for two building construction projects practically completed in the second half of 2012, namely, the Welfare Road (superstructure) project and the Shing On Street project, as a greater portion of these projects were completed during the year ended 31 March 2012 and approximately HK\$783.4 million of direct costs in aggregate were incurred for the year ended 31 March 2012, while only approximately HK\$512.0 million of direct costs in aggregate were incurred for the year ended 31 March 2013;
- ii) no further direct costs were incurred during the year ended 31 March 2013 for one of our building construction projects, namely, the Kwok Shui Road project, after the finalisation of its final account during the year ended 31 March 2012, while approximately HK\$40.5 million of direct costs were incurred for the year ended 31 March 2012;
- iii) the decrease in direct costs incurred by approximately HK\$24.4 million for another building construction project, namely, the Welfare Road (foundation) project, practically completed in late 2010 and final account finalised during the year ended 31 March 2013, that only approximately HK\$0.3 million of direct costs were incurred for the year ended 31 March 2013 while approximately HK\$24.7 million of direct costs were recognised for the year ended 31 March 2012; and

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- iv) the decrease in direct costs incurred by approximately HK\$36.0 million in aggregate for three of our existing building alteration, renovation and fitting-out projects, including the university campus (teaching facilities — learning commons) project which commenced and completed during the year ended 31 March 2012, and the university campus (catering facilities) project and the university campus (student facilities) project both commenced and had a substantial portion of the related work completed during the year ended 31 March 2012. Approximately HK\$39.3 million of direct costs in aggregate were incurred for the year ended 31 March 2012, while only approximately HK\$3.3 million of direct costs were incurred for the year ended 31 March 2013.

Such decrease in direct costs during the year ended 31 March 2013 was partially offset by the direct costs of approximately HK\$64.1 million in aggregate incurred for the year ended 31 March 2013, for one existing building fitting-out project, namely, the Beach Road (fitting-out) project, and one building construction project, namely the Connaught Road West project, commenced in late 2012 and early 2013, respectively.

### **Gross profit and gross profit margin**

Our gross profit increased by approximately HK\$23.3 million or 19.9%, from approximately HK\$116.8 million for the year ended 31 March 2012 to approximately HK\$140.1 million for the year ended 31 March 2013. Our gross profit margin increased from approximately 11.0% for the year ended 31 March 2012 to approximately 18.1% for the year ended 31 March 2013.

### *Construction business*

Our gross profit from the construction business increased by approximately HK\$21.1 million or 105.0%, from approximately HK\$20.1 million for the year ended 31 March 2012 to approximately HK\$41.2 million for the year ended 31 March 2013. Our gross profit margin of our construction business also increased from approximately 2.2% to approximately 6.4% during such period.

Our increase in gross profit and gross profit margin in construction business were primarily due to:

- i) no further loss was recognised for one of our building construction projects, namely, the Kwok Shui Road project, for the year ended 31 March 2013 after the finalisation of its final account during the year ended 31 March 2012, while a gross loss in the amount of approximately HK\$10.7 million was recognised for the year ended 31 March 2012. Such gross loss recognised was mainly due to the unexpected fluctuations in reinforcement steel prices during the actual implementation of the project;
- ii) gross profit of approximately HK\$6.1 million was recognised for one of our building fitting-out projects, namely, the Beach Road (fitting-out) project, for the year ended 31 March 2013 only, as this project commenced during this year;

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- iii) a net increase in gross profit of approximately HK\$5.1 million for another building construction project, namely, the Beach Road (superstructure) project as a gross profit of approximately HK\$14,000 was recorded for the year ended 31 March 2013 as certain construction work was certified by the consultant of our customer of this project during this year, while a gross loss of approximately HK\$5.1 million was recognised for the year ended 31 March 2012 as a result of the lowering of the estimated gross profit margin for such project during that year due to the cancellation of certain associated fitting-out works initiated by the customer; and
- iv) the increase in gross profit recognised by approximately HK\$1.4 million for two of our existing building alteration, renovation and fitting-out projects, namely, the Beach Road (alteration) project and the San On Street (external wall redecoration at Tuen Mun) project, and other minor building alteration, renovation and fitting-out projects, from approximately HK\$0.4 million in aggregate for the year ended 31 March 2012 to approximately HK\$1.8 million in aggregate for the year ended 31 March 2013.

Our increase in gross profit and gross profit margin in construction business during the year ended 31 March 2013 was partially offset by the decrease in gross profit recognised by approximately HK\$5.7 million for one of our building construction projects practically completed in the second half of 2012, namely the Shing On Street project, as a greater portion of such project was completed during the year ended 31 March 2012 and a greater amount of gross profit was recognised for the year ended 31 March 2012.

Our gross profit margins in the construction business in respect of our existing building alteration, renovation and fitting-out projects increased from approximately 2.6% for the year ended 31 March 2012 to approximately 13.8% for the year ended 31 March 2013 mainly attributable to the Beach Road (alteration) project, the San On Street (external wall redecoration at Tuen Mun) project and other minor existing building alteration, renovation and fitting-out projects which had higher estimated gross profit margins and these projects commenced or had a substantial portion of works completed during the year ended 31 March 2013.

### *Data centre premises leasing business*

Our gross profit from data centre premises leasing business increased by approximately HK\$2.1 million or 2.2%, from approximately HK\$96.7 million for the year ended 31 March 2012 to approximately HK\$98.8 million for the year ended 31 March 2013. Such increase was in line with the increase in revenue from our data centre premises leasing business by approximately 1.8% during the same period. The gross profit margin of our data centre premises leasing business maintained relatively stable at approximately 73.7% and 74.0% for the years ended 31 March 2012 and 2013, respectively.

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### **Other revenue**

Other revenue increased by approximately HK\$2.3 million or 257.8%, from approximately HK\$0.9 million for the year ended 31 March 2012 to approximately HK\$3.2 million for the year ended 31 March 2013. The increase was mainly contributed by the greater usage of our supporting services by the customers of our data centre premises leasing business such as installation of electricity power circuits, sockets and patch panels. The service fees we charged our customers for the provision of such services increased from approximately HK\$0.4 million for the year ended 31 March 2012 to approximately HK\$1.9 million for the year ended 31 March 2013.

### **Other net (loss)/income**

We recorded other net loss of approximately HK\$8.1 million for the year ended 31 March 2012 and other net income of approximately HK\$0.2 million for the year ended 31 March 2013. Our other net loss of approximately HK\$8.1 million for the year ended 31 March 2012 primarily resulted from the net unrealised loss on our derivative financial instruments of approximately HK\$8.5 million (of which, approximately HK\$8.3 million represented the net unrealised loss on our interest rate swaps and approximately HK\$0.2 million represented the net unrealised loss on our foreign exchange forward contracts), which was partially offset by the net realised gain on one of our foreign exchange forward contracts of approximately HK\$0.2 million upon its expiry in September 2011. Our other net income of approximately HK\$0.2 million for the year ended 31 March 2013 primarily resulted from the net unrealised gain on our derivative financial instruments of approximately HK\$0.2 million, being the net unrealised gain on our interest rate swaps.

### **General and administrative expenses**

General and administrative expenses increased by approximately HK\$7.9 million or 61.2%, from approximately HK\$12.9 million for the year ended 31 March 2012 to approximately HK\$20.8 million for the year ended 31 March 2013. The increase was primarily due to our listing expenses of approximately HK\$8.3 million incurred only during the year ended 31 March 2013 and the increase in our professional fees by approximately HK\$1.4 million mainly resulting from the increase in auditors' remuneration and legal fees. The increase in the expenses above was partially offset by the decrease in staff costs classified as general and administrative expenses by approximately HK\$2.8 million during the same period primarily due to the decrease in bonuses for our staff and Directors for the year ended 31 March 2013.

### **Changes in fair value of investment properties**

Fair value gains on our investment properties increased by approximately HK\$24.4 million or 56.7%, from HK\$43.0 million for the year ended 31 March 2012 to approximately HK\$67.4 million for the year ended 31 March 2013. The fair value gain on investment properties for the year ended 31 March 2012 arose from the increase in fair value of our investment properties upon revaluation of our iTech Tower mainly due to the increase in monthly rental income. The fair value gain on investment



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properties for the year ended 31 March 2013 arose from (i) the increase in fair value of our investment properties upon revaluation of our iTech Tower mainly due to the increase in monthly rental income; and (ii) the increase in fair value of our investment properties upon revaluation of the TCP Land, which was mainly due to changes in the prevailing real estate market condition.

### Finance costs

Finance costs decreased by approximately HK\$2.2 million or 8.4%, from approximately HK\$26.3 million for the year ended 31 March 2012 to approximately HK\$24.1 million for the year ended 31 March 2013, which was primarily attributable to the decrease in the average outstanding balance of our bank borrowings during the year ended 31 March 2013.

### Income tax

Income tax increased by approximately HK\$5.5 million or 47.8%, from approximately HK\$11.5 million for the year ended 31 March 2012 to approximately HK\$17.0 million for the year ended 31 March 2013. Our effective tax rate was approximately 10.1% for the year ended 31 March 2012 and approximately 10.2% for the year ended 31 March 2013. The fair value gains on our investment properties recorded for the years ended 31 March 2012 and 2013 were unrealised gains and not taxable under Hong Kong profits tax. The listing expenses incurred for the year ended 31 March 2013 are not deductible under Hong Kong profits tax. Excluding the effect of such non-taxable fair value gains on investment properties and non-deductible listing expenses, our effective tax rate would have been approximately 16.3% for the year ended 31 March 2012 and approximately 15.9% for the year ended 31 March 2013.

### Profit for the year

Our profit for the year increased by approximately HK\$47.1 million or 46.2%, from approximately HK\$101.9 million for the year ended 31 March 2012 to approximately HK\$149.0 million for the year ended 31 March 2013 that was partly due to the increase in fair value gains on our investment properties by approximately 56.7% from HK\$43.0 million for the year ended 31 March 2012 to HK\$67.4 million for the year ended 31 March 2013 as discussed above. Our net profit margin increased from approximately 9.6% for the year ended 31 March 2012 to approximately 19.3% for the year ended 31 March 2013 which was in line with the increase in our gross profit margins from approximately 11.0% to 18.1% as discussed above.

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

#### Turnover

Our turnover increased by approximately HK\$600.1 million, or 131.0%, from approximately HK\$458.0 million for the year ended 31 March 2011 to approximately HK\$1,058.1 million for the year ended 31 March 2012 due to the increase in revenue from both of our construction business and data centre premises leasing business.

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### *Construction business*

Revenue derived from the construction business increased by approximately HK\$577.0 million or 165.0%, from approximately HK\$349.8 million for the year ended 31 March 2011 to approximately HK\$926.8 million for the year ended 31 March 2012.

The increase in our revenue derived from the construction business was primarily due to:

- (i) an increase in revenue recognised by approximately HK\$654.3 million in aggregate for two of our building construction projects, namely, the Welfare Road (superstructure) project and the Shing On Street project, which commenced in late 2010. A substantial portion of these projects were completed during the year ended 31 March 2012 and contributed an aggregated revenue of approximately HK\$816.1 million for this year. Since these projects were still at their early stages during the year ended 31 March 2011, they only contributed an aggregate of approximately HK\$161.8 million of our revenue for this year; and
- (ii) the recognition of revenue for the year ended 31 March 2012 in the amount of approximately HK\$41.3 million in aggregate from three of our existing building alteration, renovation and fitting-out projects, including the university campus (teaching facilities — learning commons) project which commenced and completed during the year ended 31 March 2012 and the university campus (catering facilities) project and the university campus (student facilities) project both commenced and had a substantial portion of the related work completed during the year ended 31 March 2012. As these projects had yet to be commenced during the year ended 31 March 2011, no revenue was recognised for this year.

Such increase in revenue during the year ended 31 March 2012 was partially offset by:

- i) the decrease in revenue recognised by approximately HK\$107.1 million for another two of our building construction projects, namely, the Stubbs Road (superstructure) project and the Welfare Road (foundation) project, which practically completed in mid and late 2010, respectively, that approximately HK\$138.1 million of revenue was recognised during the year ended 31 March 2011 in aggregate while only approximately HK\$31.1 million of revenue was recognised during the year ended 31 March 2012 in aggregate; and
- ii) no further revenue was recognised during the year ended 31 March 2012 for another building construction project, namely, the Stanley Street project, after the finalisation of its final account in early 2011 that approximately HK\$12.0 million of revenue was recognised during the year ended 31 March 2011.

### *Data centre premises leasing business*

Revenue derived from the leasing of data centre premises increased by approximately HK\$23.0 million or 21.3%, from approximately HK\$108.2 million for the year ended 31 March 2011 to approximately HK\$131.2 million for the year ended 31 March 2012. The increase was primarily due

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to (i) the increase in rental income and rental related income from one of our existing customers as a result of the leasing of additional raised floor space of approximately 6,200 sq.ft in our iTech Tower since March 2011; and (ii) the increase in rental related income from another customer due to higher electricity consumption.

### Direct costs

Our direct costs rose by approximately HK\$576.6 million or 158.1%, from approximately HK\$364.7 million for the year ended 31 March 2011 to approximately HK\$941.3 million for the year ended 31 March 2012. Such increase was primarily attributable to the increase in direct costs incurred in our construction business, which accounted for approximately 92.9% and 96.3% of our total direct costs for the years ended 31 March 2011 and 2012, respectively. The increase in direct costs of our construction business by approximately HK\$567.9 million or approximately 167.6% for the year ended 31 March 2012 was in line with the increase in our revenue from the construction business by approximately 165.0% during the same period.

Our increase in direct costs was primarily due to:

- i) the increase in direct costs incurred in two of our building construction projects, namely, the Welfare Road (superstructure) project and the Shing On Street project, which commenced in late 2010, by approximately HK\$621.6 million in aggregate as a result of a greater portion of their construction works were completed during the year ended 31 March 2012 as compared with that for the year ended 31 March 2011; and
- ii) the direct costs incurred for the year ended 31 March 2012 in the amount of approximately HK\$39.3 million in aggregate from three of our existing building alteration, renovation and fitting-out projects, including the university campus (teaching facilities — learning commons) project which commenced and completed during the year ended 31 March 2012, and the university campus (catering facilities) project and the university campus (student facilities) project both commenced and had a substantial portion of the related work completed during the year ended 31 March 2012. As these projects had yet to be commenced during the year ended 31 March 2011, no direct costs incurred for this year.

Such increase in direct costs during the year ended 31 March 2012 was partially offset by the decrease in direct costs incurred in another two building construction projects, namely, the Stubbs Road (superstructure) project and the Welfare Road (foundation) project, which practically completed in mid and late 2010, respectively, by approximately HK\$106.8 million in aggregate from approximately HK\$135.1 million during the year ended 31 March 2011 to approximately HK\$28.3 million during the year ended 31 March 2012 in aggregate.

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### Gross profit and gross profit margin

Our gross profit increased by approximately HK\$23.6 million or 25.3%, from approximately HK\$93.2 million for the year ended 31 March 2011 to approximately HK\$116.8 million for the year ended 31 March 2012 due to the increase in gross profit attributable to both of our construction business and data centre premises leasing business. Our gross profit margin decreased from approximately 20.4% for the year ended 31 March 2011 to approximately 11.0% for the year ended 31 March 2012.

#### *Construction business*

Our gross profit from the construction business increased by approximately HK\$9.2 million or 84.4%, from approximately HK\$10.9 million for the year ended 31 March 2011 to approximately HK\$20.1 million for the year ended 31 March 2012, which was in line with the increase in our revenue from our construction business during the same period.

Such increase in gross profit was primarily due to the increased gross profit recognised for two building construction projects, namely, the Welfare Road (superstructure) project and the Shing On Street project, which commenced in late 2010 by approximately HK\$32.7 million in aggregate as a result of a greater portion of their construction works were completed during the year ended 31 March 2012 but were still at their early stages during the year ended 31 March 2011.

Our increase in gross profit during the year ended 31 March 2012 was partially offset by:

- i) no further gross profit was recognised for one building construction project, namely, the Johnston Road project, during the year ended 31 March 2012 after the finalisation of final account during the year ended 31 March 2011 that a gross profit in the amount of approximately HK\$9.0 million was recognised during the same year;
- ii) the increase in gross loss recognised for another building construction project, namely, the Kwok Shui Road project, by approximately HK\$7.1 million from approximately HK\$3.6 million for the year ended 31 March 2011 to approximately HK\$10.7 million for the year ended 31 March 2012 upon the finalisation of final account during the same year mainly as a result of the unexpected fluctuations in reinforcement steel prices during the actual implementation of the project; and
- iii) the decrease in gross profit recognised by approximately HK\$6.1 million for another building construction project, namely, the Beach Road (superstructure) project. A gross loss of approximately HK\$5.0 million was recognised for this building construction project during the year ended 31 March 2012 while a gross profit in the amount of approximately HK\$1.1 million was recognised during the year ended 31 March 2011 as a result of the lowering of the estimated gross profit margin for such project in view of the cancellation of certain associated fitting-out works initiated by the customer.

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The gross profit margin of our construction business decreased from approximately 3.1% for the year ended 31 March 2011 to approximately 2.2% for the year ended 31 March 2012 mainly attributable to:

- i) the increase in gross loss recognised for one building construction project, namely, the Kwok Shui Road project, for the year ended 31 March 2012 upon the finalisation of final account during the same year mainly as a result of the unexpected fluctuations in reinforcement steel prices during the actual implementation of the project; and
- ii) the lowering of the estimated gross profit margin for another building construction project, namely, the Beach Road (superstructure) project, during the year ended 31 March 2012 due to the cancellation of certain associated fitting-out works initiated by the customer mentioned above.

Our gross profit margins in the construction business in respect of our existing building alteration, renovation and fitting-out projects decreased from approximately 65.1% for the year ended 31 March 2011 to approximately 2.6% for the year ended 31 March 2012 mainly attributable to the recognition of approximately HK\$3.4 million gross profit for the Lockhart Road project during the year ended 31 March 2011 due to the direct costs saved as a result of the adoption of a more cost-effective construction procedure during the implementation of the project, whereas no further gross profit was recognised during the year ended 31 March 2012 for such project after the finalisation of the relevant final account during the year ended 31 March 2011.

### *Data centre premises leasing business*

Our gross profit from the data centre premises leasing business increased by HK\$14.4 million or 17.5%, from approximately HK\$82.3 million for the year ended 31 March 2011 to approximately HK\$96.7 million for the year ended 31 March 2012. Such increase was in line with the increase in our revenue attributable to our data centre premises leasing business during the same period that was primarily due to the leasing of additional raised floor space of approximately 6,200 sq.ft. to one of our existing customers since March 2011, which contributed to the gross profit for the full year ended 31 March 2012 but only one month of gross profit for the year ended 31 March 2011. The gross profit margin of our data centre premises leasing business decreased slightly from approximately 76.1% for the year ended 31 March 2011 to approximately 73.7% for the year ended 31 March 2012. Such decrease was primarily due to the increase in our rental related income which primarily represents the charges on our customers for their electricity consumption in our iTech Tower that in general carries a lower gross profit margin.

### **Other revenue**

Other revenue increased by approximately HK\$0.4 million or 80.0%, from approximately HK\$0.5 million for the year ended 31 March 2011 to approximately HK\$0.9 million for the year ended 31 March 2012. The increase was mainly attributable to the increase in bank interest income and dividend income from unlisted securities.

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### **Other net loss**

Other net loss increased by approximately HK\$5.4 million or 200%, from approximately HK\$2.7 million for the year ended 31 March 2011 to approximately HK\$8.1 million for the year ended 31 March 2012. The increase was primarily attributable to the increase in net unrealised losses on our derivative financial instruments by approximately HK\$5.5 million from approximately HK\$3.0 million for the year ended 31 March 2011 to approximately HK\$8.5 million for the year ended 31 March 2012.

### **General and administrative expenses**

General and administrative expenses decreased by approximately HK\$1.6 million or 11.0%, from approximately HK\$14.5 million for the year ended 31 March 2011 to approximately HK\$12.9 million for the year ended 31 March 2012. This decrease was mainly attributable to the decrease in discretionary bonuses to our Directors by approximately HK\$1.6 million, and the absence of management fees being charged by the former holding company, Grand Ming Holdings, for the year ended 31 March 2012.

### **Changes in fair value of investment properties**

Fair value gains on our investment properties decreased by approximately HK\$158.9 million or 78.7%, from approximately HK\$201.9 million for the year ended 31 March 2011 to approximately HK\$43.0 million for the year ended 31 March 2012. The fair value gain for the year ended 31 March 2012 was primarily due to the increase in fair value of our investment properties upon revaluation mainly due to the growth of property market in Hong Kong and change of monthly rental income during this year, whereas the fair value gain for the year ended 31 March 2011 was primarily due to our progress in converting the then existing industrial building into our iTech Tower and the growth in property market in Hong Kong during the year.

### **Finance costs**

Finance costs increased by approximately HK\$4.8 million or 22.3%, from approximately HK\$21.5 million for the year ended 31 March 2011 to approximately HK\$26.3 million for the year ended 31 March 2012. Such increase was mainly due to effect of interest throughout the year arising from interest rate swaps recognised for the year ended 31 March 2012 as the interest rate swaps contracts were effective since July 2010 and September 2010.

### **Income tax**

Income tax increased by approximately HK\$2.3 million or 25.0%, from approximately HK\$9.2 million for the year ended 31 March 2011 to approximately HK\$11.5 million for the year ended 31 March 2012. Our effective tax rate increased from approximately 3.6% for the year ended 31 March 2011 to approximately 10.1% for the year ended 31 March 2012. The fair value gains on our

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investment properties recorded for the years ended 31 March 2011 and 2012 were unrealised gains and not subject to Hong Kong profits tax. Excluding the effect of such fair value gains on investment properties, our effective tax rate would have been relatively stable at approximately 16.7% and 16.3% for the years ended 31 March 2011 and 2012, respectively.

### Profit for the year

Our profit for the year decreased by approximately HK\$145.8 million or 58.9%, from approximately HK\$247.7 million for the year ended 31 March 2011 to approximately HK\$101.9 million for the year ended 31 March 2012. Our net profit margin decreased from approximately 54.1% for the year ended 31 March 2011 to approximately 9.6% for the year ended 31 March 2012. The decrease in both net profit and net profit margin was primarily due to the decrease in fair value gain on our investment properties by approximately HK\$158.9 million from approximately HK\$201.9 million for the year ended 31 March 2011 to approximately HK\$43.0 million for the year ended 31 March 2012.

### LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are mainly to finance our operations and satisfy our capital expenditure needs. Since our establishment, our working capital and capital expenditure have been primarily financed through a combination of cash generated from operations and bank borrowings.

### Cash flows

The table below summarises our combined cash flows for the periods indicated:

	For the year ended 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(57,635)	246,022	21,315
Net cash (used in)/generated from investing activities	(63,126)	582	(123,374)
Net cash generated from/(used in) financing activities	114,620	(186,592)	80,765
Net (decrease)/increase in cash and cash equivalents	(6,141)	60,012	(21,294)
Cash and cash equivalents at the beginning of the year	22,890	16,749	76,761
Cash and cash equivalents at the end of the year	16,749	76,761	55,467

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### *Net cash (used in)/generated from operating activities*

Net cash generated from/used in operating activities primarily consisted of profit before taxation adjusted for non-cash items, such as interest income, finance costs, changes in fair value of investment properties, depreciation and the effect of changes in working capital. We derive our cash inflows from operating activities principally from the receipt of rental income from leasing of premises in our iTech Tower and certified payments from construction works. Our cash used in operations principally comprises purchases of construction materials, payment of sub-contracting fees, utilities charges, repairs and maintenance expenses as well as staff costs.

For the year ended 31 March 2013, our net cash generated from operating activities was approximately HK\$21.3 million, primarily as a result of the combined effects of (i) the operating cash flows before working capital changes of approximately HK\$122.6 million; (ii) the decrease in trade and other receivables of approximately HK\$92.5 million; and (iii) the increase in gross amount due to customers for contract work of approximately HK\$19.2 million. This was partially offset by (i) the decrease in trade and other payables of approximately HK\$196.6 million; (ii) the payment of tax of approximately HK\$12.5 million; and (iii) the increase in gross amount due from customers for contract work of approximately HK\$3.8 million.

For the year ended 31 March 2012, our net cash generated from operating activities was approximately HK\$246.0 million, primarily as a result of the combined effects of (i) the operating cash flows before working capital changes of approximately HK\$105.7 million; (ii) the increase in trade and other payables of approximately HK\$134.8 million; and (iii) the decrease in gross amount due from customers for contract work of approximately HK\$61.9 million. This was partially offset by the increase in trade and other receivables of approximately HK\$65.5 million.

For the year ended 31 March 2011, our net cash used in operating activities was approximately HK\$57.6 million, primarily as a result of the operating cash flows before working capital changes of approximately HK\$80.6 million, partially offset by the increase in trade and other receivables of approximately HK\$69.5 million and the decrease in trade and other payables of approximately HK\$64.6 million. The significant increase in trade and other receivables was primarily due to the recognition of significant receivables for one of our building construction projects, namely, the Welfare Road (superstructure) project, as the relevant certificate of progress payment was issued close to the year-end date of the year ended 31 March 2011 and the increase in rental receivable from one of the customers of our data centre premises leasing business.



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### *Net cash (used in)/generated from investing activities*

For the year ended 31 March 2013, our net cash used in investing activities was approximately HK\$123.4 million, mainly attributable to the capital expenditure of approximately HK\$123.6 million for the acquisition of the TCP Land.

For the year ended 31 March 2012, our net cash generated from investing activities was approximately HK\$0.6 million, mainly attributable to the bank interest received and the dividends received from unlisted investments of approximately HK\$0.5 million in aggregate.

For the year ended 31 March 2011, our net cash used in investing activities was approximately HK\$63.1 million, mainly attributable to the capital expenditure on our iTech Tower of approximately HK\$48.1 million and the payment for the investment in mutual funds of approximately HK\$15.0 million.

### *Net cash generated from/(used in) financing activities*

For the year ended 31 March 2013, our net cash generated from financing activities was approximately HK\$80.8 million, mainly attributable to the net proceeds from bank borrowings of approximately HK\$130.0 million, partially offset by the payments of interest and other borrowing costs of approximately HK\$30.1 million and payments of dividends of approximately HK\$20.0 million to the former holding company, Grand Ming Holdings.

For the year ended 31 March 2012, our net cash used in financing activities was approximately HK\$186.6 million, mainly attributable to the net repayment of bank borrowings of approximately HK\$139.3 million, payments of interest and other borrowing costs of approximately HK\$32.2 million and payments of dividends of approximately HK\$16.5 million to the former holding company, Grand Ming Holdings.

For the year ended 31 March 2011, our net cash generated from financing activities was approximately HK\$114.6 million, mainly attributable to the net proceeds from bank borrowings of approximately HK\$127.1 million and the decrease in pledged deposits of approximately HK\$13.7 million, partially offset by the payments of interest and other borrowing costs of approximately HK\$25.1 million and payments of dividends of approximately HK\$1.0 million to the former holding company, Grand Ming Holdings.

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### NET CURRENT (LIABILITIES)/ASSETS

The table below sets out our current assets and current liabilities as at the dates indicated.

	As at 31 March			As at
	2011	2012	2013	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current assets</b>				
Gross amount due from customers for contract work	68,021	12,240	16,358	4,288
Trade and other receivables	213,656	279,046	186,506	227,473
Restricted and pledged deposits	46,220	44,784	43,920	49,273
Cash and cash equivalents	16,749	76,761	55,467	111,138
Tax recoverable	721	264	—	—
	<u>345,367</u>	<u>413,095</u>	<u>302,251</u>	<u>392,172</u>
<b>Current liabilities</b>				
Gross amount due to customers for contract work	10,770	20,468	33,747	43,536
Trade and other payables	149,446	284,227	87,582	99,781
Bank loans	837,064	697,959	67,470	79,184
Tax payable	—	6,111	5,996	6,355
	<u>997,280</u>	<u>1,008,765</u>	<u>194,795</u>	<u>228,856</u>
<b>Net current (liabilities)/assets</b>	<u>(651,913)</u>	<u>(595,670)</u>	<u>107,456</u>	<u>163,316</u>

We recorded net current liabilities of approximately HK\$651.9 million and HK\$595.7 million as at 31 March 2011 and 2012, respectively, and net current assets of approximately HK\$107.5 million and HK\$163.3 million as at 31 March 2013 and 30 June 2013, respectively. Our net current liability position as at 31 March 2011 and 2012 was primarily attributable to our bank loans classified as current liabilities that accounted for approximately 83.9% and 69.2% of our total current liabilities as at 31 March 2011 and 2012, respectively. Prior to the obtaining of a letter of confirmation from the relevant bank to remove the repayable on demand clause entirely from the loan agreement of one of our long-term bank loans in September 2012, our long-term bank loans as at 31 March 2011 and 2012 were classified as current liabilities for accounting purposes. As at 31 March 2013, we recorded net current assets of approximately HK\$107.5 million which was primarily attributable to the reclassification of the non-current portion of one of our long-term bank loans from current liabilities to non-current liabilities of approximately HK\$561.0 million as at 31 March 2013, as we obtained a letter of confirmation from the relevant bank to remove the repayable on demand clause entirely from the loan agreement in September 2012. For details of our bank loans, please refer to the paragraph

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headed “Indebtedness” of this section. Our net current assets increased from approximately HK\$107.5 million as at 31 March 2013 to approximately HK\$163.3 million as at 30 June 2013 mainly due to the increase in our trade and other receivables and cash and cash equivalents, which was partially offset by the increase in trade and other payables and bank loans.

### Gross amount due from customers for contract work

Our revenue from construction contracts is recognised based on the stage of completion of the contracts. The stage of completion is established by reference to construction works certified. There is normally a timing difference between the completion of site works and the issuance of progress certificates and billing of the construction projects. Gross amount due from customers for contract work represents the surplus derived when the contract costs incurred to date plus recognised profits less recognised losses exceed progress billings.

	<b>As at 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross amount due from customers for contract work	<u>68,021</u>	<u>12,240</u>	<u>16,358</u>

The gross amount due from customers for contract work are usually affected by the volume and value of construction works we performed close to the end of each reporting period and the timing of receiving progress certificates, and thus vary from period to period.

### Trade and other receivables

The following table sets out a summary of our trade and other receivables as at the dates indicated:

	<b>As at 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	145,464	196,239	135,950
Deposits, prepayments and other receivables	7,107	7,533	8,858
Retentions receivable	42,491	74,032	41,698
Amount due from the former holding company	18,399	1,236	—
Derivative financial instruments	<u>195</u>	<u>6</u>	<u>—</u>
	<u>213,656</u>	<u>279,046</u>	<u>186,506</u>
Trade debtors turnover days <i>(Note)</i>	<u>91</u>	<u>59</u>	<u>78</u>

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*Note:* Average trade debtors equals the average of trade debtors at the beginning and the end of the year. Average trade debtors turnover days for the years ended 31 March 2011, 2012 and 2013 equals average trade debtors divided by turnover for the relevant year and multiplied by 365 days.

### *Trade debtors*

We generally offer our customers a credit period of 0 to 45 days from the date of billing. Our trade debtors turnover days decreased from 91 days for the year ended 31 March 2011 to 59 days for the year ended 31 March 2012, primarily due to the recognition of significant receivables for one of our building construction projects, namely, the Welfare Road (superstructure) project, as the relevant certificate of progress payment was issued close to the year-end date of the year ended 31 March 2011 and the settlement of receivables in connection with such project by the customer during the year ended 31 March 2012. Trade debtors turnover days increased from 59 days for the year ended 31 March 2012 to 78 days for the year ended 31 March 2013, primarily due to the recognition of receivables for one of our building construction projects, namely, the Connaught Road West project, and one of our building fitting-out projects, namely, the Beach Road (fitting-out) project, as the respective certificates of progress payment were issued close to the year-end date.

The following table sets out the ageing analysis of our trade receivables as at the dates indicated:

	<b>As at 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not yet due	97,686	186,497	126,148
Under 1 month overdue	47,072	8,068	8,824
More than 1 month overdue and up to 3 months overdue	706	1,674	902
More than 3 months overdue and up to 6 months overdue	—	—	49
More than 6 months overdue and up to 1 year overdue	—	—	27
	<u>145,464</u>	<u>196,239</u>	<u>135,950</u>

As at 31 March 2011, 2012 and 2013, approximately HK\$47.8 million, HK\$9.7 million, HK\$9.8 million, respectively, representing approximately 32.8%, 5.0% and 7.2% of our trade receivables, respectively, were past due but not impaired. Based on past experience, our Directors are of the view that no impairment allowance is necessary in respect of these overdue balances as there has not been significant change in credit quality of our customers and the balances are considered fully recoverable. Approximately HK\$9.8 million or 99.6% of overdue balances as at 31 March 2013 had been subsequently settled as at the Latest Practicable Date.

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Of our trade receivables as at 31 March 2011, 2012 and 2013, approximately HK\$24.8 million, HK\$29.7 million and HK\$33.4 million, respectively, are expected to be recovered after one year. These represented the unamortised effect of rent-free periods and rent-variations arising from our business of leasing of data centre premises since our revenue from the data centre premises leasing business is recognised on a straight-line basis over the lease term.

### *Retentions receivable*

	<b>As at 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Recoverable within 1 year	15,343	42,804	8,659
Recoverable after 1 year	<u>27,148</u>	<u>31,228</u>	<u>33,039</u>
	<u>42,491</u>	<u>74,032</u>	<u>41,698</u>

It is a common practice in the construction industry that customers withhold normally 5% to 10% of the interim payment of the construction projects payable to us as retention money. Generally, half of the retentions receivable is released to us upon issuance of the practical completion certificate whilst the remaining half is released to us upon expiry of the defect liability period and customer's satisfaction of works. As at 31 March 2011, 2012 and 2013, approximately HK\$27.1 million, HK\$31.2 million, HK\$33.0 million, respectively, representing approximately 63.9%, 42.2% and 79.2% of our retentions receivable, respectively, were expected to be recoverable after one year.

In line with the progress of our construction projects, the balance of our retentions receivable increased from approximately HK\$42.5 million as at 31 March 2011 to approximately HK\$74.0 million as at 31 March 2012 and decreased to approximately HK\$41.7 million as at 31 March 2013. Our Directors confirm that all retentions receivable were attributable to projects in progress or completed but within defect liability periods and therefore not overdue.

### **Pledged and restricted deposits**

Our pledged deposits primarily represent cash pledged as collateral to secure banking facilities for our Group. The balances of our pledged deposits were approximately HK\$40.2 million, HK\$38.7 million and HK\$37.9 million as at 31 March 2011, 2012 and 2013, respectively.

Our restricted deposits represent security deposits from one of our customers of our data centre premises leasing business placed in a bank according to the contract terms entered into with them. We are entitled to deduct the balance upon the breach of contract terms by such customer. The balance of our restricted deposits stood at approximately HK\$6.1 million as at 31 March 2011, 2012 and 2013, respectively.

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### Gross amount due to customers for contract work

Gross amount due to customers for contract work represent the surplus derived when progress billings exceed the contract costs incurred to date plus recognised profits less recognised losses. The balances were approximately HK\$10.8 million as at 31 March 2011 and increased to approximately HK\$20.5 million and HK\$33.7 million as at 31 March 2012 and 2013, respectively, due to timing differences in billing of the construction projects.

### Trade and other payables

Our trade and other payables mainly comprise trade creditors, accrued charges, retentions payable, receipts in advance, amounts due to the former holding company, Grand Ming Holdings, and amounts due to a Shareholder. The following table sets out a summary of our trade and other payables as at the dates presented:

	As at 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors	72,493	187,083	17,315
Accrued charges	17,382	12,609	19,791
Rental and other deposits	6,064	6,064	6,064
Receipts in advance	10,966	8,075	—
Retentions payable	35,833	60,158	35,962
Amounts due to the former holding company	5,346	10,238	8,450
Amounts due to a Shareholder	<u>1,362</u>	<u>—</u>	<u>—</u>
	<u>149,446</u>	<u>284,227</u>	<u>87,582</u>
Trade creditors turnover days <sup>(Note)</sup>	<u>83</u>	<u>50</u>	<u>59</u>

*Note:* Average trade creditors equals the average of trade creditors at the beginning and the end of the year. Average trade creditors turnover days for the years ended 31 March, 2011, 2012 and 2013 equals average trade creditors divided by direct costs for the relevant year and multiplied by 365 days.

### Trade creditors

Our trade creditors primarily represent amounts payable to our sub-contractors and suppliers of materials and utilities. The credit period granted by our sub-contractors or suppliers is normally 0 to 60 days after issuance of invoice.

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The movements in our trade creditors turnover days are basically in line with that of trade debtors turnover days for the years ended 31 March 2011, 2012 and 2013, as we normally settle the trade creditors after receipt of settlements from the trade debtors. Trade creditors turnover days decreased significantly from 83 days for the year ended 31 March 2011 to 50 days for the year ended 31 March 2012 primarily due to the recognition of significant payables for one of our building construction projects, namely, the Welfare Road (superstructure) project, close to the year-end date of the year ended 31 March 2011 and the settlement of payables in connection with such project by us during the year ended 31 March 2012. Trade creditors turnover days increased slightly from 50 days for the year ended 31 March 2012 to 59 days for the year ended 31 March 2013 mainly attributable to the recognition of payables in connection with the Welfare Road (superstructure) project close to the year-end date.

### *Receipts in advance*

Receipts in advance mainly represent rental income received in advance from customers of our data centre premises leasing business according to the terms of the lease agreements.

### *Retentions payable*

Retentions payable represents the amounts we withhold from progress payments to our sub-contractors in the range of 5% to 10% of the respective payment amount. Such retention money is released upon the completion of the defect liability period.

In line with the progress of our construction projects, the balance of our retentions payable increased from approximately HK\$35.8 million as at 31 March 2011 to approximately HK\$60.2 million as at 31 March 2012 and decreased to approximately HK\$36.0 million as at 31 March 2013. As at 31 March 2011, 2012 and 2013, approximately HK\$24.1 million, HK\$26.0 million, HK\$24.2 million, respectively, representing approximately 67.3%, 43.2% and 67.2% of our retentions payable, respectively, were expected to be settled after one year.

### *Amounts due to the former holding company and amounts due to a Shareholder*

The amounts due to our former holding company, Grand Ming Holdings, were fully settled in May 2013 and the amounts due to our Shareholder had been fully settled as at 31 March 2013.

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### OTHER FINANCIAL ASSETS

A breakdown of our other financial assets as at the dates indicated is set forth as follows:

	As at 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Available-for-sale securities, quoted but unlisted	15,000	14,285	15,045
Derivative financial instruments	<u>267</u>	<u>—</u>	<u>—</u>
	<u>15,267</u>	<u>14,285</u>	<u>15,045</u>

#### Available-for-sale securities

Available-for-sale securities represent mutual funds we purchased which were pledged to a financial institution as security for the bank loans granted to us. Our Group's available-for-sale securities are carried at their fair values and the changes in their fair value are reflected in our Group's fair value reserve. The carrying value of our available-for-sale securities decreased from approximately HK\$15.0 million as at 31 March 2011 to approximately HK\$14.3 million as at 31 March 2012 and increased to approximately HK\$15.0 million as at 31 March 2013, which reflected the changes in fair value of the available-for-sale securities during the respective periods.

#### Derivative financial instruments

The derivative financial instruments represent four interest rate swap contracts and two foreign exchange forward contracts entered into by us. The two foreign exchange forward contracts expired in September 2011 and April 2012, respectively. Three of the interest rate swap contracts will expire in 2015 and the remaining one interest rate swap contract will expire in 2018. Our Group's derivative financial instruments are carried at their fair values and the resultant changes in their fair values are reflected in our Group's combined income statements and other comprehensive income.



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### CAPITAL EXPENDITURE

Our capital expenditure during the Track Record Period has been primarily used in our investment properties. The following table sets forth our capital expenditure for the periods indicated.

	For the year ended 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Investment properties	48,078	—	123,605
Furniture, fixtures and other fixed assets	<u>298</u>	<u>18</u>	<u>1,043</u>
	<u>48,376</u>	<u>18</u>	<u>124,648</u>

### COMMITMENTS

The following table set forth our capital commitments as at the following dates:

	As at 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Contracted for	—	—	12,756
Authorised but not contracted for	<u>—</u>	<u>—</u>	<u>545,646</u>
	<u>—</u>	<u>—</u>	<u>558,402</u>

Capital commitment as at 31 March 2013 was related to the construction and development of our second data centre building.

### CONTINGENT LIABILITIES

During the Track Record Period, guarantees were given to financial institutions for loan facilities granted to the former holding company, Grand Ming Holdings. As at 31 March 2011, 2012 and 2013 such guarantees amounted to approximately HK\$6.8 million, HK\$6.3 million and HK\$5.7 million, respectively. Our Directors confirm that such guarantees will be fully released upon Listing.

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### INDEBTEDNESS

The following table sets forth a summary of our indebtedness as at the dates indicated:

	<b>As at 31 March</b>			<b>As at 30 June</b>
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans				
Within one year	837,064	697,959	67,470	79,184
After one year	<u>—</u>	<u>—</u>	<u>760,671</u>	<u>798,264</u>
	837,064	697,959	828,141	877,448
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Amounts due to the former holding company	5,346	10,238	8,450	—
Amounts due to a Shareholder	<u>1,362</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total indebtedness</b>	<u><u>843,772</u></u>	<u><u>708,197</u></u>	<u><u>836,591</u></u>	<u><u>877,448</u></u>
<b>Bank loans are analysed     as follows:</b>				
Secured bank loans	825,895	697,416	828,141	877,448
Unsecured bank loans	<u>11,169</u>	<u>543</u>	<u>—</u>	<u>—</u>
	<u>837,064</u>	<u>697,959</u>	<u>828,141</u>	<u>877,448</u>
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Our Group's indebtedness as at 31 March 2011, 2012 and 2013 and 30 June 2013 was primarily bank loans, and the outstanding amount was approximately HK\$837.1 million, HK\$698.0 million, HK\$828.1 million and HK\$877.4 million, respectively. A substantial amount of which included a bank loan with an outstanding amount of approximately HK\$714.3 million, HK\$666.5 million, HK\$618.8 million and HK\$606.8 million as at 31 March 2011, 2012 and 2013 and 30 June 2013, respectively, solely used to finance the development of our iTech Tower. The remaining balance of our bank loans includes mainly trust receipt loans and term loans which are repayable within 3 months to 5 years commencing from the date of drawdown of the relevant loans. All of the banking facilities of our Group were committed facilities which we entered into with respect to our loan agreements with respective banks. As at the Latest Practicable Date, the total amount of unutilised banking facilities available to us amounted to approximately HK\$776.0 million.

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The following table sets forth the details of the bank loans granted to our Group:

<b>By type</b>	<b>As at 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trust receipt loans	77,596	25,743	6,851
Term loans	11,169	5,683	202,524
Revolving loans	34,000	—	—
Mortgage loan	<u>714,299</u>	<u>666,533</u>	<u>618,766</u>
	<u>837,064</u>	<u>697,959</u>	<u>828,141</u>

The following table sets forth the interest rate profile of our Group's bank loans as at the dates indicated, after taking into account the effect of interest rate swaps designated as cash flow hedging instruments, as extracted from Note 3 to Section B of the Accountants' Report set out in Appendix I to this prospectus:

	<b>At 31 March</b>					
	<b>2011</b>		<b>2012</b>		<b>2013</b>	
	<b>Effective interest rate</b>		<b>Effective interest rate</b>		<b>Effective interest rate</b>	
	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>
<b>Net fixed rate borrowings:</b>						
Bank loans	5.32	25,479	3.82	684,048	3.66	821,289
<b>Variable rate borrowings:</b>						
Bank loans	2.10	<u>811,585</u>	2.66	<u>13,911</u>	2.38	<u>6,852</u>
Total net borrowings		<u>837,064</u>		<u>697,959</u>		<u>828,141</u>
Net fixed net borrowings as a percentage of total net borrowings		<u>3.04%</u>		<u>98.01%</u>		<u>99.17%</u>

Prior to the obtaining of a letter of confirmation from the relevant bank to remove the repayable on demand clause entirely from the loan agreement of one of our long-term bank loans in September 2012, our long-term bank loans as at 31 March 2011 and 2012 were classified as current liabilities for accounting purposes. We obtained a letter of confirmation from the relevant bank to remove the repayable on demand clause entirely from the loan agreement in September 2012 and therefore, the non-current portion of such loan of approximately HK\$561.0 million as at 31 March 2013 was reclassified from current liabilities to non-current liabilities. In obtaining the letter of confirmation from the relevant bank to remove the repayable on demand clause, no consideration was paid to the relevant bank and there was no impact on the interest rate of this loan as a result of deleting such clause.

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Our bank loans bore interest at rates ranging from 2.05% to 6.00%, 2.11% to 6.00% and 2.25% to 6.00% per annum for the years ended 31 March 2011, 2012 and 2013, respectively.

During the Track Record Period, a substantial portion of our bank loans were secured loans which were secured by the following assets:

	As at 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Investment properties	1,740,000	1,783,000	1,812,000
Pledged deposits	40,156	38,720	37,856
Available-for-sale securities	15,000	14,285	15,045
Other assets	<u>36,189</u>	<u>51,499</u>	<u>55,390</u>
Total	<u>1,831,345</u>	<u>1,887,504</u>	<u>1,920,291</u>

Certain of our Group's indebtedness during the Track Record Period was guaranteed by Grand Ming Holdings, a former holding company of our Group, and shareholders of our Group. For details of the guarantees and securities of the banking facilities, please refer to Note 22 to Section B of the Accountants' Report set out in Appendix I to this prospectus. All guarantees provided by Grand Ming Holdings and our Shareholders will be fully released upon Listing and replaced by a guarantee provided by our Company.

Given our credit history and relationship with our principal lenders and our current credit status, we believe that we will not encounter any major difficulties in obtaining additional bank borrowings notwithstanding the recent global financial market volatility.

The amounts due to our former holding company, Grand Ming Holdings, were unsecured, interest-free and repayable on demand, and the balance was fully settled in May 2013. The amounts due to our Shareholder were unsecured, interest-free and repayable on demand, and the balance had been fully settled as at 31 March 2013.

Save as disclosed in this prospectus, as at the Latest Practicable Date, other than intra-group liabilities, our Group did not have any outstanding debt securities, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

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### Financial covenants of our bank loans

The major financial covenants in our banking facility letters and related guarantee documents, including those relating to the maintenance of certain financial ratios, are set out as follows:

1. Current ratio of the then guarantor (being Grand Ming Holdings which is not part of our Group which will be discharged from the guarantee and replaced with the guarantee to be provided by our Company upon Listing) shall be at or over 1.0;
2. External / adjusted gearing ratio of Grand Ming Holdings (being the guarantor and not being not part of our Group and which will be discharged from the guarantee and replaced with the guarantee to be provided by our Company upon Listing) shall be at or below 1.75 (or 1.5 in the case of one of the loan facility);
3. Adjusted tangible net worth of Grand Ming Holdings (being the guarantor and not being not part of our Group and which will be discharged from the guarantee and replaced with the guarantee to be provided by our Company upon Listing) shall be not less than HK\$90 million (or HK\$75 million and HK\$450 million in the case of two other loan facilities);
4. Interest coverage of Wellford Properties shall be not less than 1.25 times;
5. Total borrowings of Wellford Properties shall be no more than HK\$750 million;
6. Tangible net worth of Grand Tech Construction shall be not less than HK\$60 million; and
7. Profit before tax of Grand Tech Construction shall be not less than HK\$5 million.

Our major long-term bank loan (the “**Major Long Term Loan**”) with principal amount of HK\$740 million is repayable by instalments till March 2020. As the corresponding loan agreement includes a repayable on demand clause giving the bank an unconditional right to call the loan at any time notwithstanding any other terms and maturity as set out in the loan agreement, the Major Long Term Loan was classified as a current liability as at 31 March 2011 and 2012 in accordance with the HKFRSs. As at 31 March 2011, 2012 and 2013, our Major Long Term Loan amounted to approximately HK\$714.3 million, HK\$666.5 million and HK\$618.8 million, respectively, whereas our other bank loans amounted to approximately HK\$122.8 million, HK\$31.5 million and HK\$209.3 million, respectively.

Due to the classification of the Major Long Term Loan as a current liability, our Group had failed to meet certain financial covenants in respect of certain short-term bank loans from two banks with total carrying amounts of approximately HK\$77.1 million and HK\$11.1 million as at 31 March 2011 and 2012, respectively. The two relevant banks were informed of the breaches but they did not demand immediate repayment of the relevant short-term bank loan as a result of the failure to meet the financial covenants. Waivers have been obtained from both relevant banks on the breach of such short-term loans’ covenants. We have already fully repaid one of the short-term bank loans as at 30 September 2012. As a result, there would not be any consequence of the abovementioned breaches of financial covenants.

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In addition, in September 2012, our Group obtained a letter of confirmation from the relevant bank providing the Major Long Term Loan to remove the “repayment on demand clause” entirely from the relevant loan agreement. Accordingly, the non-current portion of the Major Long Term Loan in the amount of approximately HK\$561.0 million was reclassified from current liabilities to non-current liabilities as at 31 March 2013. As such, there was no breach of the financial covenants in respect of the short-term bank loans as at 31 March 2013 and as at the Latest Practicable Date. The removal of the repayable on demand clause did not have impact on the interest rate of the Major Long Term Loan and there were no new restrictions on the Major Long Term Loan imposed on the Company as a result of the removal.

Apart from the above, the Directors have confirmed that there had been no other breaches of financial covenants relating to our bank loans as at the Latest Practicable Date. Although there are cross-default provisions in the facility letters of other bank loans which were in force during the period when the breaches occurred, we repaid all of these bank loans as at the Latest Practicable Date and have not notified the banks as a result. The Directors have further confirmed that our Group did not have any material default in payment of trade and non-trade payables and bank borrowings during the Track Record Period.

### **Remedial measures to prevent breach of financial covenants**

In order to prevent recurrence of the aforesaid breaches, the chief financial officer will review the financial covenants of our existing and new bank loan facilities on a periodic basis to ensure continuous compliance with financial covenants. In case of a potential breach of the financial covenants, we will review the matter and liaise with the banks promptly. We believe that these measures could enable us to prevent any breach of the financial covenants in future.

Save as disclosed above, all of our outstanding bank loans do not contain material covenants on our ability to undertake additional debt or equity financing. During the Track Record Period, we have not experienced any difficulties in renewing our borrowings that had a material adverse effect on us. As at the Latest Practicable Date, we had not defaulted on any debt service obligations and are not aware of any existing circumstances which may render us unable to service or renew such indebtedness.

### **LIQUIDITY POSITION**

We recorded net current liabilities of approximately HK\$651.9 million and HK\$595.7 million as at 31 March 2011 and 2012, respectively. Such net current liabilities positions were mainly due to the classification of the Major Long Term Loan, mainly to support the development of our iTech Tower, as a current liability in the amount of approximately HK\$714.3 million and HK\$666.5 million as at 31 March 2011 and 2012, respectively, due to the fact that the corresponding loan agreement includes a repayment on demand clause giving the relevant bank an unconditional right to call the loan at any time notwithstanding any other terms and maturity as set out in the loan agreement.

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In September 2012, we obtained a letter of confirmation from the relevant bank to remove the repayable on demand clause entirely from the loan agreement of the Major Long Term Loan and the non-current portion of such loan of approximately HK\$561.0 million was reclassified from current liabilities to non-current liabilities as at 31 March 2013. As a result, we recorded net current assets of approximately HK\$107.5 million as at 31 March 2013.

### RELATED PARTY TRANSACTIONS

With respect of the related party transactions disclosed in Note 28 to Section B of the Accountants' Report set out in Appendix I to this prospectus during the Track Record Period, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in this prospectus, there are no material off-balance sheet agreements or interests.

### OTHER KEY FINANCIAL RATIOS

	As at 31 March		
	2011	2012	2013
Current ratio <sup>1</sup>	0.3	0.4	1.6
Gearing ratio <sup>2</sup>	77.4%	61.2%	64.8%
Debt to equity ratio <sup>3</sup>	75.8%	54.6%	60.5%
	For the year ended 31 March		
	2011	2012	2013
Return on equity <sup>4</sup>	25.6%	9.1%	12.2%
Return on total assets <sup>5</sup>	12.7%	4.7%	6.6%
Interest coverage <sup>6</sup>	11x	4x	6x

*Notes:*

1. Current ratio represents current assets divided by current liabilities.
2. Gearing ratio represents total borrowings (summation of bank loans, amounts due to the former holding company and amounts due to a Shareholder) divided by total equity and multiplied by 100%.
3. Debt to equity ratio is calculated as net debt (borrowings, being summation of bank loans, amounts due to the former holding company and amounts due to a Shareholder, net of cash and cash equivalents) divided by the total equity as at the respective year end and multiplied by 100%.
4. Return on equity equals profit for the year divided by the average of total equity at the beginning and the end of the year and multiplied by 100%.

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5. Return on total assets equals profit for the year divided by the average of total assets at the beginning and the end of the year and multiplied by 100%.
6. Interest coverage equals profit before interest and tax divided by the summation of interest expenses and capitalised interest expenses for the year.

### **Current ratio**

Our Group's current ratio remained relatively low at approximately 0.3 and 0.4 as at 31 March 2011 and 2012, respectively, mainly due to the classification of our long-term bank loans as current liabilities for accounting purposes as such loans contained a repayable on demand clause prior to the obtaining of a letter of confirmation from the relevant bank to remove such clause from the loan agreement of the Major Long Term Loan entirely in September 2012. Our current ratio increased to approximately 1.6 as at 31 March 2013 primarily due to the reclassification of the non-current portion of the Major Long Term Loan from current liabilities to non-current liabilities of approximately HK\$561.0 million as at 31 March 2013 as we obtained a letter of confirmation from the relevant bank to remove the repayable on demand clause entirely from the relevant loan agreement in September 2012.

### **Gearing ratio**

Our gearing ratio declined from approximately 77.4% as at 31 March 2011 to approximately 61.2% as at 31 March 2012, as our total borrowings decreased by approximately 16.1% primarily attributable to the repayment of the bank borrowings which was mainly funded by the cash inflows from the rental income of leasing of the premises of our iTech Tower, whereas our total equity increased by approximately 6.1%. Our gearing ratio increased from approximately 61.2% as at 31 March 2012 to approximately 64.8% as at 31 March 2013 as our total borrowings increased by approximately 18.1% primarily attributable to the increase in the amount of bank loans as at 31 March 2013 primarily for the financing of our construction business, whereas our total equity increased by approximately 11.5%.

### **Debt to equity ratio**

As at 31 March 2011, 2012 and 2013, our debt to equity ratio was approximately 75.8%, 54.6% and 60.5%, respectively. The changes in our debt to equity ratio as at the end of the respective periods was in line with the changes in our gearing ratio as stated in the paragraph headed "Gearing ratio" of this section.

### **Return on equity**

Return on equity decreased from approximately 25.6% for the year ended 31 March 2011 to approximately 9.1% for the year ended 31 March 2012 and increased to approximately 12.2% for the year ended 31 March 2013, which was primarily attributable to the changes in our profit over these periods resulted from the changes in fair value gains on our investment properties. Excluding the effect of the changes in fair value of our investment properties, our return on equity would have been approximately 4.7%, 5.2% and 6.7% for the years ended 31 March 2011, 2012 and 2013, respectively.



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### Return on total assets

Return on total assets decreased from approximately 12.7% for the year ended 31 March 2011 to approximately 4.7% for the year ended 31 March 2012 and increased to approximately 6.6% for the year ended 31 March 2013, which was primarily attributable to the changes in our profit over these periods resulted from the changes in fair value gains on our investment properties. Excluding the effect of the changes in fair value of investment properties, the return on total assets would have been 2.4%, 2.7% and 3.6% for the years ended 31 March 2011, 2012 and 2013, respectively.

### Interest coverage

Interest coverage decreased from approximately 11 times for the year ended 31 March 2011 to approximately 4 times for the year ended 31 March 2012 and increased to approximately 6 times for the year ended 31 March 2013, which was mainly attributable to the changes in our profit over these periods resulted from the changes in fair value gains on our investment properties. Excluding the effect of the changes in fair value gains on investment properties, the interest coverage would have been approximately 3, 3 and 4 times for the years ended 31 March 2011, 2012 and 2013, respectively.

## MARKET RISK

### Interest rate risk

Our Group is engaged in construction business and data centre premises leasing business which have been financed by substantial borrowings. Interest bearing borrowings with floating interest rate expose our Group to interest rate risk which, the Board believes, needs to be managed. Please refer to Note 3 to Section B of the Accountants' Report set out in Appendix I to this prospectus for further details.

During the Track Record Period, our Group had entered into four interest rate swap contracts with our banks in Hong Kong with an aggregated initial notional amount of HK\$1,140 million to hedge our interest rate exposure. Three of the interest rate swap contracts were entered into in 2010 and the remaining interest rate swap contract was entered into in 2013 as we believed that the low interest rate environment was favourable for us to enter into these contracts to mitigate against future interest rate risk. The entering into of all of the interest rate swap contracts was approved by the boards of directors of Grand Tech Construction or Wellford Properties and was in accordance with the then treasury policy of our Group. For details, please refer to the paragraph headed "Our treasury policy" of this section in the prospectus. Pursuant to the interest rate swap contracts, our Group shall pay fixed swap rates ranging from 0.89% to 1.97% per annum and receive floating swap rate based on HIBOR. The net effect of which is to reduce our exposure to interest rate risks. Three of the above mentioned interest rate swap contracts will expire in the second half of 2015 and the remaining interest rate swap contract will expire in the first half of 2018. The notional principal amounts of such interest rate swaps amounted to HK\$916 million, HK\$868 million and HK\$1,020 million as at 31 March 2011, 2012 and 2013, respectively and we recorded net unrealised losses on our interest rate swaps of approximately HK\$3.2 million and HK\$8.3 million for the years ended 31 March 2011 and 2012, respectively, and net unrealised gain on our interest rate swaps of approximately HK\$0.2 million for the year ended 31 March 2013, resulted from (i) (loss)/gain arising from changes in fair value of

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our interest rate swaps with notional contract amount of HK\$916 million, HK\$200 million and HK\$200 million as at 31 March 2011, 2012 and 2013, respectively, which were not designated as cash flow hedging instruments; and (ii) the ineffective portion of the (loss)/gain on our interest rate swaps with notional contract amount of nil, HK\$668 million and HK\$820 million as at 31 March 2011, 2012 and 2013, respectively, which were designated as cash flow hedging instruments. For details, please refer to Notes 1 and 3 to section B of the Accountants' Report set out in Appendix I to this prospectus.

The table below outlines the details of the interest rate swap contracts that we entered into during the Track Record Period:

Counterparty	Effective date	Expiration date	Initial notional amount	Floating rate (we receive)	Fixed rate (we pay)	Purpose of hedging	Current details of corresponding loans hedged			Repayment term
							Facility amount	Interest rate	Period	
DBS Bank (Hong Kong) Limited	July 2010	July 2015	HK\$200 million	HIBOR	1.97%p.a.	Loans for construction projects with floating interest rate based on HIBOR plus margin	HK\$15 million	HIBOR + 2.25% <sup>(Note 1)</sup>	Since January 2008	Maximum loan tenor: 120 days
							HK\$85 million <sup>(Note 2)</sup>	HIBOR + 2% <sup>(Note 2)</sup>	February 2010 - April 2014	Maximum loan tenor: 120 days
							HK\$10 million <sup>(Note 3)</sup>	HIBOR + 2.5% to HIBOR + 2.75% <sup>(Note 3)</sup>	Since February 2010	Maximum loan tenor: 120 days
							HK\$3 million	HIBOR + 2.5%	Since July 2009	Maximum loan tenor: 90 days
							HK\$120 million	HIBOR + 2.5% to HIBOR + 2.75%	January 2013 - January 2015	Maximum loan tenor: 180 days
							<b>Initial loan principal</b>	<b>Interest rate</b>	<b>Period</b>	<b>Repayment term</b>
The Hongkong and Shanghai Banking Corporation Limited	September 2010	September 2015	HK\$555 million	HIBOR	1.97%p.a.	Mortgage loan for iTech Tower with floating interest rate based on HIBOR plus margin	HK\$740 million	HIBOR + 1.85%	March 2010 - March 2020	Repaid by 38 quarterly instalments commencing from December 2010
The Hongkong and Shanghai Banking Corporation Limited	September 2010	September 2015	HK\$185 million	HIBOR	1.81%p.a.	Mortgage loan for iTech Tower with floating interest rate based on HIBOR plus margin				
Hang Seng Bank Limited	March 2013	February 2018	HK\$200 million	HIBOR	0.89% p.a.	Term loan for construction projects	HK\$200 million	HIBOR + 2.5%	February 2013 - February 2018	Repaid by 16 quarterly instalments commencing May 2014

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*Note 1:* The interest rate was HIBOR + 2% in January 2008.

*Note 2:* The facility amount was HK\$30 million and the interest rate was HIBOR + 2% to HIBOR + 2.5% in February 2010.

*Note 3:* The facility amount was HK\$7 million in February 2010 and the interest rate was HIBOR + 2.25% to HIBOR + 2.75% in February 2010.

The purpose of our entering into the interest rate swap contracts is to reduce our exposure to floating interest rate risk. Our net fixed rate borrowings as a percentage of total borrowings, after taking into account the effect of interest rate swaps designated as cash flow hedging instruments, amounted to approximately 98.01% and 99.17% as at 31 March 2012 and 31 March 2013 respectively, as compared to approximately 3.04% as at 31 March 2011, respectively. On the basis of the above, our Directors considered that the interest rate swaps are effective in hedging the interest rate risks of the Company's floating-rate bank loans.

Given that interest rate risk is our primary risk exposure due to our business nature, the Board expects that our Group will participate in similar interest rate hedging activities after Listing. However, we will closely monitor our interest rate exposure and the level of our fixed rate and floating rate borrowings from time to time and consider hedging interest rate exposure only if we consider appropriate.

### *Our treasury policy*

We have in place a treasury policy which covers our financial instruments and investments since January 2009 that has been updated by us from time to time in accordance with the development of our Group. Our treasury policy as at January 2009 basically covered the segregation of duties for our treasury functions, such as segregating the financial investment decisions and actual investment activity from accounting activities and custodial responsibilities and segregating the processing and the review of monthly borrowing and financial investment transactions, as well as the prior approval requirements for all our financial investments, foreign exchange contracts and derivative financial instruments by our senior management and/or board of directors of the relevant subsidiaries. In early 2010, for the purpose of design and executing an effective hedging strategy, additional guidelines including (i) the hedge must be associated with an underlying exposure and therefore non-speculative in nature; (ii) the use of the hedging instruments should be simple; (iii) appropriate instruments will be deployed to hedge the risk at the decision of the financial controller; (iv) effectiveness of the hedging should be closely monitored by our accounts department and reported to the board of directors of the relevant subsidiaries; and (v) adoption of hedging instruments must be approved by the board of directors of the relevant subsidiaries before their execution, were adopted in our treasury policy. Our current treasury policy adopted in January 2013 is summarised below.

Our current policy in respect of financial derivative instruments, including but without limitation to, the following:

- (i) the use of financial derivative instruments is currently restricted to interest rate swaps. The use of structured derivatives or contracts that contain embedded options would require presentation and the specific approval of the Board;

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- (ii) the derivative instruments must be associated with an underlying exposure;
- (iii) the duration of the derivative instrument must be matched with the underlying exposure;
- (iv) hedge effectiveness is assessed by our accounts department and the Board at the inception of the hedge and periodically; and
- (v) the use of the derivative instrument should be approved by the Board before actual execution.

Our investment policy, including but without limitation to, the following:

- (i) investment should be undertaken only in situation where our Group has surplus funds;
- (ii) the types of investment shall be limited to term deposits with registered banks, bank negotiable instruments such as certificate of deposits and mutual funds that may be readily convertible into cash;
- (iii) criteria for selecting investments to be considered by the Board shall include the yield and liquidity of the investment and the risk profile involved. The investments shall aim at protecting principal with reasonable return of the surplus funds whilst maintaining liquidity, and the Board shall refer to the prevailing 1-month time deposit interest rate as the performance benchmark; and
- (iv) investments shall be of short term (which refers to a period of not more than a year) and non-speculative in nature.

### *Internal control on interest rate exposure hedging and investment transactions*

Our chief financial officer and executive Director, Mr. Kwan Wing Wo, is responsible for monitoring the funding requirements and the associated interest risk and liquidity risk of our Group, and implementing appropriate arrangements within the framework of our Group's treasury policy to mitigate the risk exposure. Our chief financial officer shall report to the Board on the adequacy and suitability of the arrangement which have put in place, and any specific issues as directed by the Board on a semi-annual basis. Mr. Kwan has accumulated over 20 years of experience in the auditing, accounting and finance fields, of which over 12 years working in a company listed on the Main Board of the Stock Exchange. He is a fellow of the Association of Chartered Certified Accountants of the United Kingdom and a member of the HKICPA since November 2001 and July 1995, respectively.

The entering into of financial instrument by us must be approved by our Board and the making of investment transactions must also be approved by our Board. Our accounts department will review our cash flow position, market interest rate fluctuation and interest rate exposure and loan amount of our existing loan facilities monthly and reports to our Directors to assess if the entering into of interest rate swap contracts is appropriate. Our Directors will assess the existing and future interest rate exposure of our Group and the risks and benefits of entering into interest rate swap contracts by considering various factors such as the interest rate environment and global economic conditions. Also, our chief financial officer must report to the Board on the investment activities and prepare regular performance report to the Board.

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Our chief financial officer is also responsible for overseeing the day-to-day investing activities of our Group, including executing investment transactions and managing the investment portfolio to ensure that they are in line and within the treasury policy of our Group. Our chief financial officer must report to the Board on the investment activities and prepare quarterly performance reports to the Board.

### Credit risk

Our Group's credit risk is primarily attributable to bank deposits, financial derivative instruments and trade and other receivables. Our Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis. Please refer to Note 3 to Section B of the Accountants' Report set out in Appendix I to this prospectus for further details.

### Liquidity risk

Individual subsidiaries within our Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands, subject to approval by our Board. Our Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term. Please refer to Note 3 to Section B of the Accountants' Report set out in Appendix I to this prospectus for further details.

### Foreign currency risk

Our Group has no significant exposure to foreign currency risk as substantially all of our transactions during the Track Record Period were denominated in Hong Kong dollars. We had, however, entered into two foreign exchange forward contracts during the Track Record Period in respect of the foreign currency exposure of our related company, Guangxi Jiaming Real Estate Development Company Limited (廣西佳明房地產開發有限責任公司) (“**Guangxi Jiaming**”), which is indirectly held as to 90% by Mr. Chan and engaged in property development in the PRC, in order to reduce the foreign currency exposure of Guangxi Jiaming due to fluctuation of RMB against US dollars. The table below outlines the details of the foreign exchange forward contracts that we entered into during the Track Record Period:

Counterparty	First settlement date	Maturity date	Currency pair	Purpose of the foreign exchange forward contracts
DBS Bank (Hong Kong) Limited	June 2010	September 2011 (matured)	USD / RMB	To reduce the foreign currency exposure of Guangxi Jiaming due to fluctuation of RMB against US dollars
DBS Bank (Hong Kong) Limited	August 2010	April 2012 (matured)	USD / RMB	To reduce the foreign currency exposure of Guangxi Jiaming due to fluctuation of RMB against US dollars

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## **FINANCIAL INFORMATION**

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The two foreign exchange forward contracts matured in September 2011 and April 2012, respectively, and our Directors have no intention to enter into new foreign exchange forward contracts as our Group has no significant exposure to foreign currency risk and Guangxi Jiaming does not form part of our Group upon completion of the Reorganisation. Pursuant to these foreign exchange forward contracts, we received or paid US dollars at settlement dates on a monthly basis subject to the exchange rate between US dollars and RMB with an aim to reduce the foreign currency exposure of Guangxi Jiaming due to fluctuation of RMB against US dollars.

As at 31 March 2011, 2012 and 2013, the above exchange forward contracts carried notional principal amounts of approximately HK\$5.0 million, HK\$1.2 million and nil, respectively. We recorded net unrealised gains on foreign exchange forward contracts of approximately HK\$0.2 million for the year ended 31 March 2011 and net unrealised losses on foreign exchange forward contracts of approximately HK\$0.2 million and HK\$6,000 for the year ended 31 March 2012 and 2013, respectively, which represented the gain or loss arising from changes in fair value of our two foreign exchange forward contracts mentioned above.

### **DISCLOSURE REQUIRED UNDER THE LISTING RULES**

As at the Latest Practicable Date, our Directors confirm that there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

### **DIVIDEND AND DIVIDEND POLICY**

During the years ended 31 March 2011, 2012 and 2013, we declared and paid dividends in the amount of HK\$1.0 million, HK\$16.5 million and HK\$20.0 million, respectively. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

After completion of the Share Offer, our Shareholders will be entitled to receive dividends we declare. Declaration and payment of any dividends will require the recommendation of our Board and will be at their discretion. In addition, declaration of any dividend will be subject to Shareholders' approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant.

Subject to the factors described above, we currently intend to recommend dividends of no less than 30% of our profit (excluding net fair value gains or losses on investment properties) for each financial year after the Listing (that is, for the avoidance of doubt, commencing from the year ending 31 March 2014) for distribution to our Shareholders after the Share Offer, in the form of interim dividend or final dividend. Cash dividends on our shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our Shareholders by any means which our Directors deem legal, fair and practicable.

### **DISTRIBUTABLE RESERVES**

As at 31 March 2013, our Company had no distributable reserves available for distribution to its shareholders.

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## FINANCIAL INFORMATION

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### THE UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purpose only, the unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to provide the prospective investors with further information on how the Listing might have affected the financial position of our Group by the completion of the Share Offer as if the Share Offer had taken place on 31 March 2013.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our Group's financial condition following the Share Offer.

The following unaudited pro forma statement of adjusted net tangible assets of our Group is based on the combined net assets of our Group as at 31 March 2013 as set out in the Accountants' Report set out in Appendix I to this prospectus and adjusted as set forth below.

	<b>Combined net tangible assets attributable to equity shareholders of our Company as at 31 March 2013<sup>(1)</sup></b>	<b>Estimated net proceeds from the Share Offer<sup>(2)</sup></b>	<b>Unaudited pro forma adjusted net tangible assets</b>	<b>Unaudited pro forma adjusted net tangible assets per Share<sup>(3)</sup></b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
Based on an Offer Price of HK\$0.90 per Share	1,290,404	71,006	1,361,410	3.40
Based on an Offer Price of HK\$1.11 per Share	1,290,404	91,376	1,381,780	3.45

*Notes:*

- (1) The combined net tangible assets of our Group as at 31 March 2013 is compiled based on the combined financial information included in the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$0.90 per Offer Share or HK\$1.11 per Offer Share, being the low or high end of the stated Offer Price range, after deduction of the underwriting fees and other listing-related expenses (excluding approximately HK\$8.3 million listing expenses which have been accounted for prior to 31 March 2013) payable by our Group.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 Shares were in issue immediately following the completion of the Share Offer. It does not take into account of any Shares that may be issued pursuant to the Issuing Mandate or the exercise of the Over-allotment Option, or any Shares which may be repurchased pursuant to the Repurchase Mandate.

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## FINANCIAL INFORMATION

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### PROPERTY INTERESTS AND PROPERTY VALUATION

For the purpose of the Listing, Colliers International (Hong Kong) Limited has valued the property interests of our Group at HK\$1,974.0 million as at 31 May 2013. Particulars of the property interests of our Group are set out in Appendix III to this prospectus.

A reconciliation of our Group's property interests and the valuation of such property interests as required under Rule 5.07 of the Listing Rules is set forth below:

	<i>HK\$'000</i>
Net book value of property interests as at 31 March 2013 per Accountants' Report set out in Appendix I to this prospectus	1,974,000
Movements for the two months ended 31 May 2013	<u>—</u>
Net book value of property interests as at 31 May 2013	1,974,000
Valuation surplus	<u>—</u>
Valuation as at 31 May 2013 per Valuation Report set out in Appendix III to this prospectus	1,974,000

### RECENT DEVELOPMENT OF OUR GROUP SUBSEQUENT TO THE TRACK RECORD PERIOD

Our business model, revenue and cost structure remained unchanged since 31 March 2013. Based on our unaudited management accounts, the unaudited turnover for the two months ended 31 May 2013 was lower than that for the two months ended 31 May 2012.

In our construction business segment, the unaudited revenue generated for the two months ended 31 May 2013 decreased by approximately 41.7% compared to that for the two months ended 31 May 2012. The decrease in revenue derived from our construction business was primarily due to the difference in number and progress of the construction projects undertaken by us during the respective period. Our gross profit margin in construction business remained stable for the two months ended 31 May 2013 as compared to that for the two months ended 31 May 2012. After 31 March 2013 and up to the Latest Practicable Date, we have been awarded three existing building A&A works and renovation projects with total contract value of approximately HK\$1.9 million which are expected to be completed within 2013.

In our segment of data centre premises leasing business, the unaudited revenue generated for the two months ended 31 May 2013 increased by approximately 1.8% compared to that for the two months ended 31 May 2012. The increase in revenue derived from our data centre premises leasing business was primarily driven by the increase in our rental related income due to the greater amount of electricity charges received from our customers. Our gross profit margin in the data centre premises leasing business remained stable for the two months ended 31 May 2013 as compared to that for the two months ended 31 May 2012. After 31 March 2013 and up to the Latest Practicable Date, no agreements that we entered into with customers in relation to the leasing of the premises of our iTech Tower had been expired and no customers had terminated their agreements with us. As at the Latest Practicable Date, we maintained 100% occupancy rate at our iTech Tower.



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## **FINANCIAL INFORMATION**

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As far as we are aware, there was no material change in the general economic and market conditions in the construction industry and industry of leasing of data centre premises in Hong Kong that had materially and adversely affected our business operations or financial conditions since 31 March 2013 and up to the Latest Practicable Date. Our Directors confirm that, up to the date of this prospectus, there has been no other material adverse change in our financial or trading position or prospects since 31 March 2013, being the date to which our latest audited financial statements were prepared.

### **WORKING CAPITAL**

Taking into account the estimated net proceeds available to us from the Share Offer, existing indebtedness, available banking facilities and cash flows from our operations, our Directors consider that our Group has sufficient working capital for its present requirements and for at least the next 12 months commencing from the date of this prospectus. The Sole Sponsor concur with the above Directors' view.

### **NO MATERIAL ADVERSE CHANGE**

Save as disclosed in the paragraphs headed "Recent development of our Group subsequent to the Track Record Period" and "Indebtedness" of this section, the Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 31 March 2013 up to the date of this prospectus.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Please see the paragraph headed “Business strategies” of the section headed “Business” in this prospectus for a description of our future plans.

### USE OF PROCEEDS

We estimate that the net proceeds to our Company from the Share Offer, after deducting the underwriting commissions and estimated expenses in relation to the Share Offer, will be approximately HK\$73.4 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK\$1.01 per Share, being the mid-point of the proposed Offer Price range set out in this prospectus.

We intend to use the net proceeds from the Share Offer for the following purposes:

- approximately 65.0% of the net proceeds or HK\$47.7 million will be used as development costs of our second data centre building in Hong Kong, including the payment of land premium for lease modification and construction costs. We expect that the aforesaid development will be divided into three phases, and approximately 47%, 9% and 9% of the net proceeds will be used for phase one, phase two and phase three of the aforesaid development, respectively. Apart from the net proceeds, the aforesaid development will also be funded by banking facilities and cash flows from our operations. For further details of the development of our second data centre building, please refer to the paragraph headed “Development of our second data centre building” of the section headed “Business” in this prospectus;
- approximately 24.5% of the net proceeds or HK\$18.0 million will be used as initial outlay for our new construction projects such as making payments to our suppliers and sub-contractors in advance of receiving payments from our customers;
- approximately 0.5% of the net proceeds or HK\$0.4 million will be used for sales and marketing activities of our Group; and
- approximately 10.0% of the net proceeds or HK\$7.3 million will be used for general working capital purposes.

If the Offer Price is finally determined at the low-end of the indicative Offer Price range, being HK\$0.90 per Offer Share, the net proceeds from the Share Offer will decrease by approximately HK\$10.7 million, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised). In such case, we will decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

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## FUTURE PLANS AND USE OF PROCEEDS

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If the Offer Price is finally determined at the high-end of the indicative Offer Price range, being HK\$1.11 per Offer Share, the net proceeds of the Share Offer will increase by approximately HK\$9.7 million, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised). In such case, we will increase the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we would receive additional net proceeds from the Share Offer of approximately HK\$25.9 million, assuming an Offer Price of HK\$1.11 per Offer Share, being the high-end of the Offer Price range stated in this prospectus, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised). We intend to apply the additional net proceeds to the above uses on a pro-rata basis.

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## UNDERWRITING

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### **PUBLIC OFFER UNDERWRITERS**

#### **Sole Lead Manager**

Cinda International Securities Limited

#### **Co-managers**

RHB OSK Securities Hong Kong Limited  
VC Brokerage Limited

### **PUBLIC OFFER UNDERWRITING ARRANGEMENTS**

#### **Public Offer**

Pursuant to the Public Offer Underwriting Agreement, our Company is offering initially 10,000,000 Public Offer Shares (subject to adjustment) for subscription by way of the Public Offer at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued, and to certain other conditions described in the Public Offer Underwriting Agreement (including the Sole Lead Manager, for itself and on behalf of the Underwriters, and us 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 are not taken up under the Public Offer on the terms and subject to the conditions of this prospectus and the Application Forms.

#### ***Grounds for termination***

The obligations of the Public Offer Underwriters to subscribe or procure subscriptions for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination if, at any time prior to 8:00 a.m. on the Listing Date:

- (a) any breach of any of the warranties of the Public Offer Underwriting Agreement or any matter, circumstance or event showing any of the representations, warranties and undertakings given by our Company, our executive Directors, (BVI) CHAN and (BVI) LAU in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement to be untrue, incorrect, inaccurate or misleading in any respect; or
- (b) any statement contained in this prospectus, the Application Forms or the formal notice or any announcement issued by our Company in connection with the Public Offer (including any supplement or amendment thereto) was, when it was issued, or has become untrue, incorrect or misleading in any respect, or that any estimate, forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms or the formal notice or any announcement issued by our Company in connection with the Public

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## UNDERWRITING

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Offer (including any supplement or amendment thereto) is not, in the sole and absolute discretion of the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters), in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or

- (c) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our executive Directors, (BVI) CHAN and (BVI) LAU to indemnify the Sole Sponsor, the Sole Lead Manager and the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement; or
- (d) any breach of any of the obligations or undertakings imposed upon any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (in each case, other than on the part of any of the Sole Lead Manager or the Underwriters); or
- (e) approval by the Listing Committee of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued or sold (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (f) our Company withdraws any of this prospectus, the Application Forms, any supplemental offering materials, press announcement, the formal notice to be published in connection with the Public Offer, the roadshow materials and any other document published or issued by or on behalf of our Company or the Placing Underwriters for the purpose of or in connection with the Share Offer (and/or any other documents used in connection with the contemplated subscription/ sale of the Offer Shares) or the Share Offer; or
- (g) any person (other than any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of this prospectus, the Application Forms, any supplemental offering materials, press announcement, the formal notice to be published in connection with the Public Offer, the roadshow materials and any other document published or issued by or on behalf of our Company or the Placing Underwriters for the purpose of or in connection with the Share Offer or to the issue of any of this prospectus, the Application Forms, any supplemental offering materials, press announcement, the formal notice to be published in connection with the Public Offer, the roadshow materials and any other document published or issued by or on behalf of our Company or the Placing Underwriters for the purpose of or in connection with the Share Offer; or
- (h) any prohibition on our Company by a governmental authority for whatever reasons from offering, allotting, issuing or selling of the Shares (including the Shares under the Over-allotment Option) pursuant to the terms of the Share Offer; or
- (i) the issue or requirement to issue by our Company of any supplementary prospectus, Application Form, preliminary or final offering circular pursuant to the Companies Ordinance, the Listing Rules, the SFO or any other applicable laws, or any requirement or

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## UNDERWRITING

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request of the Stock Exchange and/or the SFC in circumstances where the matter to be disclosed is, in the sole opinion of the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters), materially adverse to the marketing or implementation of the Share Offer and such termination right to expire upon the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters) consent to issuance of the relevant supplementary prospectus, Application Form, preliminary or the final offering circular; or

- (j) any change or development involving a prospective change in the conditions, business affairs, prospects, profits, losses or the financial or trading position or performance of any member of our Group which is considered by the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer; or
- (k) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer; or
- (l) there shall develop, occur, exist or come into effect:
  - (i) any change or development involving a prospective change, or any event or series of events, resulting in or representing a change or development involving a prospective change in local, national, regional or international financial, political, military, industrial, economic, fiscal, legal, regulatory, currency or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and interbank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a revaluation or devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies, respectively) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union, Japan or the Cayman Islands or any relevant jurisdiction (each a “**Relevant Jurisdiction**”); or
  - (ii) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting a Relevant Jurisdiction; or
  - (iii) any event or series of events in the nature of force majeure (whether or not covered by insurance or responsibility has been claimed) including, without limitation, acts of government, strikes or lock-outs, fire, explosion, flooding, earthquakes, epidemics, pandemics, outbreaks of infection, diseases, SARS and H5N1 and any related or mutated forms of infectious diseases, civil commotion, economic sanctions, public disorder, social or political crises, acts of war, acts of terrorism, acts of God, accident or interruption or delay in transportation in or affecting any Relevant Jurisdiction; or

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## UNDERWRITING

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- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting a Relevant Jurisdiction; or
- (v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ National Market, the Tokyo Stock Exchange, the London Stock Exchange, Shanghai Stock Exchange or the Shenzhen Stock Exchanges or (B) a general moratorium on commercial banking activities in New York, London, Tokyo, Hong Kong, the PRC or the Cayman Islands, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting a Relevant Jurisdiction; or
- (vi) any change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction;
- (viii) any litigation, legal action or claim being threatened or instigated against any member of our Group;
- (ix) the commencement by any governmental, law enforcement agency, regulatory or political body or organisation of any action against any Director or any member of our Group or an announcement by any governmental, law enforcement agency, regulatory or political body or organisation that it intends to take any such action;
- (x) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company;
- (xi) the chairman or chief executive officer of our Company vacating his or her office in circumstances where the operations of our Group will be materially and may, in the sole and absolute discretion of the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters), be adversely affected;
- (xii) an order or petition for the winding-up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any

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## UNDERWRITING

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resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager is over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group;

(xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription of the Shares) or any aspect of the Share Offer with the Listing Rules, the Articles of Association, the Companies Ordinance, the Companies Law, the SFO or any other applicable laws by any of the Warrantors; or

(xiv) a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity,

(xv) any change or development involving a prospective change, or a materialisation of, any of the risk factors set out in the section headed “Risk Factors” in this prospectus,

and which in each case or in the aggregate in the sole and absolute opinion of the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters):

- (A) is, or may or will or could be expected to have a material adverse effect on the general affairs, management, business or financial or trading or other condition or prospects of our Company or our Group or any member of our Group or on any present or prospective Shareholders in his, her or its capacity as such; or
- (B) has or may or will have or could be expected to have a material adverse effect on the success marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (C) makes or may or will make it impracticable, inadvisable or inexpedient for the Share Offer to proceed or to market the Share Offer or shall otherwise result in an interruption to or delay thereof; or
- (D) has or may or will have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.



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## UNDERWRITING

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### 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 certain circumstances prescribed by Rule 10.08 of the Listing Rules.

#### Undertaking by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders (as the term is defined under the Listing Rules) of our Company immediately before the completion of the Share Offer, has undertaken to the Stock Exchange that except pursuant to the Share Offer or permitted by the Listing Rules, it or he will not, and will procure that any other registered holder (if any) of our Shares in which it or he has a beneficial interest will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of his shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Stock Exchange (“**First Six-month Period**”), 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 it or he is shown in this prospectus to be the beneficial owner, or the Controlling Shareholders’ Shares; and
- (b) in the six month period commencing from the expiry of the First Six-month Period (“**Second Six-month Period**”) dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of any of the Controlling Shareholders’ Shares and to such extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would then cease to be a controlling shareholder of our Company.

### UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

#### Undertaking by our Company

We have undertaken with each of the Sole Lead Manager, Sole Sponsor and the Public Offer Underwriters that, except pursuant to the Share Offer, the Capitalisation Issue, the Over-allotment Option and any options which may be granted under the Share Option Scheme, we will not, and will

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## UNDERWRITING

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procure our subsidiaries will not, without the prior written consent of the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Public Offer Underwriting Agreement until the expiry of the First Six-Month Period,

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or 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, conditionally or unconditionally, or repurchase, any of our share capital or other securities of our Group or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or
- (b) 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 share capital or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any of the above transactions; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise and in the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the First Six-month Period (the “**Second Six-month Period**”), our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for the Shares or other securities of our Company.

### **Undertaking by the Controlling Shareholders**

Each of the Controlling Shareholders, pursuant to the Public Offer Underwriting Agreement, has jointly and severally agreed and undertake with each of the Sole Sponsor, the Sole Lead Manager and the Public Offer Underwriters that, except pursuant to the Share Offer, the Capitalisation Issue, the Over-allotment Option or, if applicable, the Stock Borrowing Agreement, none of the Controlling Shareholders will, and will procure that none of their associates will, without the prior written consent of the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters),

- (a) at any time during the First Six-Month Period:
  - (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, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or

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## UNDERWRITING

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indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein whether now owned or hereinafter acquired, directly or indirectly by any of the Controlling Shareholders (including holding as a custodian) or with respect to which any of the Controlling Shareholders has beneficial interest;

- (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 any such capital or securities or any interest therein; or
  - (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
  - (iv) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i) or (ii) or (iii) above, whether any such transaction described in paragraph (i) or (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- (b) at any time during the Second Six-Month Period, each of the Controlling Shareholders will not enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) above if, immediately following such transaction, it will cease to be a controlling shareholder (as the term is defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be controlling shareholders (as the term is defined in the Listing Rules) of our Company; and
- (c) until the expiry of the Second Six-Month Period, in the event that any of the Controlling Shareholders enters into the foregoing transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of our Company.

Each of the Controlling Shareholders jointly and severally agrees and undertakes with our Company, the Sole Sponsor, the Sole Lead Manager and the Public Offer Underwriters that it will, at any time within the period commencing on the date of the Public Offer Underwriting Agreement and ending on the date which is 12 months after the Listing Date:

- (a) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any share capital or other securities of our Company or any interests therein in respect of which it is the beneficial owner, immediately inform our Company and the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters) in writing of such pledge or charge together with the number of shares or other securities so pledged or charged; and

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## UNDERWRITING

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- (b) upon any indication received by it, either verbal or written, from any pledgee or chargee that any of the pledged or charged shares or securities or interests in the shares or other securities of our Company will be disposed of, immediately inform our Company and the Sole Lead Manager (for itself and on behalf of the other Public Offer Underwriters) in writing of such indications.

Our Company will inform the Stock Exchange, the Sole Sponsor and the Sole Lead Manager in writing as soon as it has been informed of any of the matters referred to above (if any) by the Controlling Shareholders and disclose such matters by way of a press announcement to be published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Our Company and each of Mr. Chan, (BVI) Chan, Mr. Lau and (BVI) Lau agrees and undertakes that it will not, and each of Mr. Chan, (BVI) Chan, Mr. Lau and (BVI) Lau further undertake to procure that we will not, effect any transactions of Shares, or agree to do so, which may reduce the holdings of Shares of persons other than our Directors, chief executives, substantial shareholders or their respective associates to below 25% within the First Six Months Period without first having obtained the prior written consent of the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters).

Our Company agrees and undertakes that pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into its equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or its securities will be completed within six months from the Listing Date), without the prior consent of the Stock Exchange, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

## PLACING

In connection with the Placing, our Company expects to enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters and other parties named therein. Under the Placing Underwriting Agreement, the Placing Underwriters will, subject to certain conditions, severally agree to purchase the Placing Shares being offered pursuant to the Placing or procure purchasers for such Placing Shares.

Our Company will grant to the Placing Underwriters the Over-allotment Option, exercisable by the Sole Lead Manager (for itself and on behalf of the Placing Underwriters) at any time from the day on which trading of our Shares commences on the Stock Exchange until 30 days after the last day for lodging of applications under the Public Offer, to require our Company to sell up to an aggregate of 15,000,000 additional new Shares at the Offer Price to cover, among other things, over-allocations in the Placing.

## COMMISSION AND EXPENSES

The Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the Offer Shares initially offered under the Share Offer. We will bear the underwriting commissions, SFC transaction levy and Stock Exchange trading fee payable by us in connection with

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## **UNDERWRITING**

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the issue of the Shares together with any applicable fees relating to the Share Offer. In addition, we may, at our sole discretion, pay the Sole Bookrunner an additional incentive fee up to 1% of the aggregate gross proceeds of the Offer Shares under the Share Offer (the “**Incentive Fees**”).

The aggregate commissions and fees (inclusive of Incentive Fees), together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$27.6 million in total (assuming an Offer Price of HK\$1.01 per Offer Share, being the mid-point of our indicative Offer Price range of HK\$0.90 to HK\$1.11 per Offer Share and assuming the Over-allotment Option is not exercised).

### **PUBLIC OFFER UNDERWRITERS’ INTERESTS IN OUR COMPANY**

Save as disclosed in this prospectus and other than pursuant to the Public Offer Underwriting Agreement, none of the Public Offer Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Share Offer, the Public Offer Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Public Offer Underwriting Agreement.

### **STAMP TAXES**

Buyers of Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offer Price.

### **SOLE SPONSOR’S INDEPENDENCE**

The independence criteria applicable to Sole Sponsor set out in Rule 3A.07 of the Listing Rules is satisfied by Cinda International Capital Limited.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE SHARE OFFER

The Share Offer consists of:

- the Public Offer of initially 10,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed “The Public Offer” of this section; and
- the Placing of initially 90,000,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below).

Investors may apply for our Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for our Shares under the Placing, but may not do both.

The Offer Shares will represent 25% of our enlarged issued share capital immediately after the completion of the Share Offer and the Capitalisation Issue (without taking into account the Over-allotment Option and any option which may be granted under the Share Option Scheme).

### PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.11 per Offer Share and is expected to be not less than HK\$0.90 per Offer Share, unless otherwise announced by no later than the morning of the last day for lodging applications under the Public Offer as further explained below. If you apply for the Offer Shares under the Public Offer, you must pay the maximum Offer Price of HK\$1.11 per Offer Share plus a 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy. This means a total of HK\$4,484.75 is payable for every board lot of 4,000 Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$1.11 per Offer Share, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. Please refer to the section headed “How to Apply for the Public Offer Shares” in this prospectus for further details.

### DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be determined by us and the Sole Lead Manager (for itself and on behalf of the Underwriters) on the Price Determination Date which is currently scheduled on or around Friday, 2 August 2013 or such later date as may be agreed by us and the Sole Lead Manager but in any event, no later than 5:00 pm on Thursday, 8 August 2013. The Offer Price will not be more than HK\$1.11 per Offer Share and is currently expected to be not less than HK\$0.90 per Offer Share.

The Sole Lead Manager (for itself and on behalf of the Underwriters) may, where it considers appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, we will,

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) and on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.grandming.com.hk](http://www.grandming.com.hk) notice of the reduction of the indicative Offer Price range and/or the number of Offer Shares.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offering statistics as currently set out in the section headed “Summary” in this prospectus, and any other financial information which may change as a result of any such reduction. If, for any reason, the Offer Price is not agreed between us and the Sole Lead Manager (for itself and on behalf of the other Underwriters) on or before the Price Determination Date, the Share Offer will not proceed and will lapse.

### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional on, among other things:

- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus, and such listing and permission not having been subsequently revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- the Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date and the Price Determination Agreement not subsequently having been terminated;
- the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Lead Manager, for itself and on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements; and
- the execution and delivery of the Placing Underwriting Agreement prior to or on the Price Determination Date,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will not proceed and will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Share Offer in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) on the day after such lapse.

In the above situation, we will return all application monies to the applicants, without interest and on the terms described in the paragraph headed “Refund of application monies” of the section headed “How to Apply for the Public Offer Shares” in this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving bank or other banks licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

**We expect to despatch share certificates for the Offer Shares on Thursday, 8 August 2013. However, these share certificates will only become valid certificates of title on 8:00 a.m. on Friday, 9 August 2013 provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting” in this prospectus has not been exercised.**

### THE PUBLIC OFFER

The Public Offer is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions provided in the Public Offer Underwriting Agreement and described in the paragraph headed “Conditions of the Share Offer” of this section) for the subscription in Hong Kong of, initially, 10,000,000 Offer Shares at the Offer Price (representing 10% of the total number of the Offer Shares initially available under the Share Offer). Subject to the reallocation of Offer Shares between the Placing and the Public Offer described below, the Public Offer Shares will represent 2.5% of our enlarged issued share capital immediately after completion of the Share Offer (assuming that the Over-allotment Option is not exercised).

The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

The total number of the Public Offer Shares available under the Public Offer on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instruction** to HKSCC or to the designated **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)) is to be divided equally (to the nearest board lot) into two pools for allocation purposes:

- Pool A: The Public Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Public Offer Shares with an aggregate subscription price of HK\$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Public Offer Shares in pool B will be allocated on an equitable basis to successful applicants who have applied for Public Offer Shares with an aggregate subscription price of more than HK\$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the initial value of pool B.



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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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You should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this section only, the “subscription price” for the Public Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). You 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 5,000,000 Shares (being 50% of the Public Offer Shares) will be rejected. No application will be accepted from applying for more than the total number of Public Offer Shares originally allocated to each pool. Allocation of Public Offer Shares to investors under the Public Offer, both in relation to pool A and pool B, will be based solely on the level of valid applications received under the Public Offer. Where there is over-subscription, allocation of Public Offer 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, although this could, where appropriate, consist of balloting. Balloting 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.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Placing Shares in the Placing, and such applicant’s application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be.

We and the Public Offer Underwriters will take reasonable steps to identify and reject applications under the Public Offer from investors who have indicated interest in or have received Offer Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have applied for or have received Offer Shares in the Public Offer.

The allocation of the Offer Shares between the Public Offer and the Placing is subject to the following adjustments in the event of over-subscription under the Public Offer:

- If the number of the Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then Placing Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Public Offer Shares available under the Public Offer will be 30,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Share Offer;

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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- If the number of the Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then the number of Placing Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of the Public Offer Shares available under the Public Offer will be 40,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Share Offer; and
- If the number of the Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then the number of Placing Shares to be reallocated to the Public Offer from the Placing will be increased, so that the total number of the Public Offer Shares available under the Public Offer will be 50,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Share Offer.

If the Public Offer is not fully subscribed, however, the Sole Lead Manager may reallocate to the Placing all or any unsubscribed Public Offer Shares in such numbers as it deems appropriate.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Public Offer.

### THE PLACING

The number of the Offer Shares to be initially offered for subscription under the Placing will be 90,000,000 Offer Shares, representing approximately 90% of the Offer Shares initially available under the Share Offer (assuming that the Over-allotment Option is not exercised). The Placing is expected to be fully underwritten by the Placing Underwriters.

The Placing will include selective marketing of Offer Shares to institutional and professional investors and/or other investors expected to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Pursuant to the Placing, the Placing Shares will be conditionally placed on our behalf by the Placing Underwriters or through selling agents appointed by them. The Placing is subject to the Public Offer becoming unconditional.

Allocation of the Placing Shares to investors under the Placing will be determined by the Sole Lead Manager and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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the relevant investor is likely to buy further, and/or hold or sell its Placing Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of an appropriate shareholder base to our benefit and the benefit of the Shareholders as a whole.

The Sole Lead Manager, on behalf of the Underwriters, 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 Sole Lead Manager so as to allow them to identify the relevant applications under the Public Offer and to ensure that such investor is excluded from any application of Offer Shares under the Public Offer.

### OVER-ALLOTMENT AND STABILISATION

In connection with the Share Offer, we are expected to grant to the Placing Underwriters the Over-allotment Option, which will be exercisable by the Sole Lead Manager (for itself and on behalf of the Placing Underwriters) at any time from the Listing Date up to 30 days from the last day for the lodging of applications under the Public Offer. Pursuant to the Over-allotment Option, we may be required by the Sole Lead Manager (for itself and on behalf of the Placing Underwriters) to allot and issue up to 15,000,000 additional new Shares, representing 15% of the total number of Offer Shares initially available under the Share Offer, at the Offer Price, in connection with over-allocation in the Placing, if any, subject to the same terms and conditions as the other Offer Shares. The Sole Lead Manager (for itself and on behalf of the Placing Underwriters) may also cover in the Placing by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and the exercise, in part or in full, of the Over-allotment Option. The number of Shares that may be over-allocated will not exceed the maximum number of Shares that may be issued under the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, on completion of the Share Offer but without taking into account any Shares which may fall to be issued upon the exercise of any options to be granted under the Share Option Scheme, the additional 15,000,000 new Shares will represent approximately 3.6% of our enlarged issued share capital. In the event that the Over-allotment Option is exercised, an announcement will be made.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise, and if possible, prevent any decline in the market price of the securities. In Hong Kong, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, CISL, as the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing on the Listing Date. However, there is no obligation on CISL or any person acting for it to do this. Such stabilising action, if taken, may be discontinued at any time, and is required to be brought to an end after a limited period.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Subject to and under the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), the Stabilising Manager, its affiliates or any person acting for it may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

- (i) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares;
- (ii) in connection with any action described in paragraph (i) above:
  - (A) (1) over-allocate the Shares; or
    - (2) sell or agree to sell the Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of the Shares;
  - (B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for the Shares in order to close out any position established under paragraph (A) above;
  - (C) sell or agree to sell any of the Shares acquired by it in the course of the stabilising action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; or
  - (D) offer or attempt to do anything as described in paragraphs (ii)(A)(2), (ii)(B) or (ii)(C) above.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager or any of its affiliates or any person acting for it (for itself and on behalf of the Underwriters), may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager or any of its affiliates or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and end on the 30th day after the last day for the lodging of applications under the Public Offer. As a result, demand for the Shares and the market price of the Shares may fall after the stabilising period;
- the market price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

An announcement will be made to the public within seven days after the expiration of the stabilising period as required under the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong).

### STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Placing, the Stabilising Manager may choose to borrow up to 15,000,000 Shares from BVI (Chan), being one of the Controlling Shareholders, equivalent to the maximum number of additional Shares to be issued upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement on the following conditions in compliance with Rule 10.07(3) of the Listing Rules:

- the Stock Borrowing Agreement will only be effected by the Stabilising Manager for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from BVI (Chan) by the Stabilising Manager will be the maximum number of Shares that may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to BVI (Chan) or its nominees (as the case may be) within three business days (being days on which the Stock Exchange is open for the business of dealing in securities) after the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the date on which the Over-allotment Option is exercised in full;
- borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to BVI (Chan) by the Stabilising Manager in relation to the Stock Borrowing Agreement.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### WHO CAN APPLY FOR PUBLIC OFFER SHARES

You can apply for the Public Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form, or if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States;
- are not a United States Person (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of rule 902 of Regulation S; and
- are not a legal or natural person of the People's Republic of China (except qualified domestic institutional investors).

If you wish to apply for Public Offer Shares online through the **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)), in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **HK eIPO White Form**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, our Company and the Sole Bookrunner (or their agents or nominees) may accept it at our or their discretion, and subject to any conditions we or they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

Our Company, the Sole Bookrunner or the designated **HK eIPO White Form** Service Provider (where applicable) or our or their respective agents and nominees have full discretion to reject or accept any application, in full or in part, without assigning any reason.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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The Public Offer Shares are not available to existing legal and beneficial owners of Shares or the shares of any of the subsidiaries of our Company, our Directors or chief executive officer, our directors or chief executive officer of any of our subsidiaries, or their respective associates or any other connected persons of our Company or persons who will become our connected persons immediately upon completion of the Share Offer.

You may apply for Public Offer Shares under the Public Offer or indicate an interest for Placing Shares under the Placing, but may not do both.

### CHANNELS TO APPLY FOR PUBLIC OFFER SHARES

You may apply for the Public Offer Shares by using one of the following channels:

- using a **WHITE** or **YELLOW** Application Form; or
- apply online through the designated website of the **HK eIPO White Form** Service Provider, referred to in this prospectus as the “**HK eIPO White Form** service” ([www.hkeipo.hk](http://www.hkeipo.hk)); or
- electronically instructing HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **HK eIPO White Form** service or by giving **electronic application instructions** to HKSCC.

### WHICH APPLICATION CHANNEL YOU SHOULD USE

- Use a **WHITE** Application Form if you want the Public Offer Shares to be registered in your own name.
- Instead of using a **WHITE** Application Form, you may apply for the Public Offer Shares by means of **HK eIPO White Form** service by submitting applications online through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk). Use **HK eIPO White Form** if you want the Public Offer Shares to be registered in your own name.
- Use a **YELLOW** Application Form if you want the Public Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant’s stock account.
- Instead of using a **YELLOW** Application Form, you may electronically instruct HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf via CCASS. Any Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant’s stock account.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### WHERE TO COLLECT THE APPLICATION FORMS

- (a) You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Tuesday, 30 July 2013 until 12:00 noon on Friday, 2 August 2013 from:

any of the following addresses of the Public Offer Underwriters:

<b>Cinda International Securities Limited</b>	45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong
<b>RHB OSK Securities Hong Kong Limited</b>	12th Floor, World-wide House, 19 Des Voeux Road Central, Hong Kong
<b>VC Brokerage Limited</b>	28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong

or any of the following branches of **Hang Seng Bank Limited**:

	<b>Branch Name</b>	<b>Address</b>
<b>Hong Kong Island</b>	Head Office	83 Des Voeux Road Central
	Wanchai Branch	200 Hennessy Road
	Causeway Bay Branch	28 Yee Wo Street
	North Point Branch	335 King's Road
<b>Kowloon</b>	Tsimshatsui Branch	18 Carnarvon Road
	Hung Hom Branch	21 Ma Tau Wai Road
	Kowloon Main Branch	618 Nathan Road
	Yaumati Branch	363 Nathan Road
<b>New Territories</b>	Tsuen Wan Branch	289 Sha Tsui Road, Tsuen Wan

- (b) You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Tuesday, 30 July 2013 to 12:00 noon on Friday, 2 August 2013 from:

- the depository counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker, who may have such Application Forms and this prospectus available.



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### WHEN TO APPLY FOR THE PUBLIC OFFER SHARES

#### *WHITE or YELLOW Application Forms*

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Friday, 2 August 2013, or, if the application lists are not open on that day, then by 12:00 noon on the next day the lists are open. The application lists will be open between 11:45 a.m. and 12:00 noon on that day, subject only to the weather conditions. The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 2 August 2013. 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 force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

**Business Day** means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

Your completed Application Form together with payment attached, should be deposited in the special collection boxes provided at any of the branches of Hang Seng Bank Limited listed in “Where to collect the Application Forms” above, at the following times:

**Tuesday, 30 July 2013 — 9:00 a.m. to 5:00 p.m.**  
**Wednesday, 31 July 2013 — 9:00 a.m. to 5:00 p.m.**  
**Thursday, 1 August 2013 — 9:00 a.m. to 5:00 p.m.**  
**Friday, 2 August 2013 — 9:00 a.m. to 12:00 noon**

#### *Electronic application instructions to HKSCC*

CCASS Clearing/Custodian Participants should input **electronic application instructions** via CCASS at the following times:

**Tuesday, 30 July 2013 — 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**Wednesday, 31 July 2013 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**Thursday, 1 August 2013 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**Friday, 2 August 2013 — 8:00 a.m.<sup>(1)</sup> to 12:00 noon**

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 30 July 2013 until 12:00 noon on Friday, 2 August 2013 (24 hours daily, except the last application day). The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Friday, 2 August 2013 or if the Application Lists are not open on that day, by the time and date stated in “Effect of bad weather conditions on the opening of the application lists” below.

### *HK eIPO White Form*

You may submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** from 9:00 a.m. on Tuesday, 30 July 2013 until 11:30 a.m. on Friday, 2 August 2013 or such later time as described in “Effect of bad weather conditions on the opening of the application lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 2 August 2013, the last application day, or, if the application lists are not open on that day, then by the time and date stated in “Effect of bad weather conditions on the opening of the application lists” below.

You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

### *Application lists*

The application lists will be opened from 11:45 a.m. to 12:00 noon on Friday, 2 August 2013, except as provided in “Effect of bad weather conditions on the opening of the application lists” below. No proceedings will be taken on applications for the Public Offer Shares and no allotment of any such Shares will be made until after the closing of the application lists.

### *Effect of bad weather conditions on the opening of the application lists*

The application lists will be open between 11:45 a.m. and 12:00 noon on Friday, 2 August 2013, subject only to weather conditions. If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 2 August 2013, the application lists will not open on that day. Instead, they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not fall within the above circumstances at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

#### *Obtain a **WHITE** or **YELLOW** Application Form*

You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.

Decide how many Public Offer Shares you want to subscribe. Calculate the amount you must pay on the basis of the maximum Offer Price as stated in the Application Forms, plus brokerage fee of 1%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%. The Application Forms have tables showing the exact amount payable for certain numbers of shares up to 5,000,000 Shares (as indicated on the **WHITE** and **YELLOW** Application Forms). Your application must be for a minimum of 4,000 Shares. Application must be in one of the number of Shares set out in the table in the respective Application Forms. No application for any other number of Shares will be considered and any such application is liable to be rejected.

Complete the Application Form in English except as provided otherwise and sign it. Only written signatures will be accepted. Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For Nominees" an account number or other identification code for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. Failure to provide the account number(s) or other identification code(s) for the beneficial owner(s) will result in the application being deemed to be submitted for the benefit of the nominee(s) in question.

Each application must be accompanied by either a separate cheque or banker's cashier order.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- be drawn on your Hong Kong dollar bank account with a licensed bank in Hong Kong;
- show your account name. The name must either be pre-printed on the cheque, or be endorsed on the back by a person authorised by the bank. This account name must correspond with your name. If it is a joint application, the account name must be that of the first-named applicant in the Application Form;
- be made payable to "Hang Seng (Nominee) Limited — Grand Ming Group Public Offer";
- be crossed "Account Payee Only"; and
- not be post-dated.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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Your application will be rejected if your cheque does not meet all these requirements or is dishonored upon its first presentation.

If you pay by banker's cashier order, the banker's cashier order must

- be purchased from a licensed bank in Hong Kong and have your name certified on the back by a person authorised by the bank. The name certified on the back of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named joint applicant;
- be in Hong Kong dollars;
- not be post-dated;
- be made payable to "Hang Seng (Nominee) Limited — Grand Ming Group Public Offer"; and
- be crossed "Account Payee Only".

Your application will be liable to be rejected if your banker's cashier order does not meet all these requirements.

Lodge your Application Form in one of the collection boxes by the time and at one of the locations, as respectively referred to above. Multiple or suspected multiple applications are liable to be rejected. Please refer to the paragraph headed "How many applications you can make" of this section.

You should note that by signing the Application Form, among other things:

- (i) you confirm that you have only relied on the information and representations in this prospectus in making your application and not on any other information or representation concerning us and you agree that neither we, the Sole Bookrunner, the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisors or any other parties involved in the Share Offer will have any liability for any such other information or representations;
- (ii) you agree that our Company, the Sole Bookrunner, the Underwriters, and any of their respective directors, officers, employers, partners, agents or advisors are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (iii) you undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any Placing Shares, nor otherwise participate in the Placing; and

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- (iv) you agree to disclose to us, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Public Offer Underwriters and their respective advisers and agents the personal data and any information which they require about you or the person(s) for whose benefit you have made this application.

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

- If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):
  - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box.
- If you are applying as an individual CCASS Investor Participant:
  - you must fill in your name and your Hong Kong identity card number; and
  - you must insert your CCASS Participant I.D. in the appropriate box.
- If you are applying as a joint individual CCASS Investor Participant:
  - you must insert all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all the joint CCASS Investor Participants; and
  - you must insert your CCASS Participant I.D. in the appropriate box.
- If you are applying as a corporate CCASS Investor Participant:
  - you must insert your company name and your company's Hong Kong business registration number; and
  - you must fill in your CCASS Participant I.D. and stamp your company chop (bearing your company name) in the appropriate box.

Incorrect or omission of details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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If your application is made through a duly authorised attorney, we and the Sole Bookrunner, as our agent, may accept it at our discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We and the Sole Bookrunner, in the capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked “For nominees” an identification number for each beneficial owner.

### Personal Data

The section of the Application Form headed “Personal data” applies to any personal data held by the Sole Bookrunner, the Sole Sponsor, our Company, the Hong Kong Share Registrar, the receiving bank and their respective advisers, and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### APPLY THROUGH HK eIPO WHITE FORM

- (i) If you are an individual and meet the criteria set out in “Who can apply for Public Offer Shares” above, you may apply through **HK eIPO White Form** service by submitting an application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk). If you apply through **HK eIPO White Form** service, the Public Offer Shares will be issued in your own name.
- (ii) Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk). You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **HK eIPO White Form** Service Provider and may not be submitted to our Company.
- (iii) In addition to the terms and conditions set out in this prospectus, the designated **HK eIPO White Form** Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk). You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (iv) By submitting an application to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, you are deemed to have authorised the designated **HK eIPO White Form** Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.
- (v) You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 4,000 Public Offer Shares. Each **electronic application instruction** must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- (vi) You should give **electronic application instructions** through **HK eIPO White Form** service at the times set out in “When to apply for the Public Offer Shares — **HK eIPO White Form** service” above. You should make payment for your application made by **HK eIPO White Form** service in accordance with the methods and instructions set out in the designated website at **www.hkeipo.hk**. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Friday, 2 August 2013, or such later time as described in “When to Apply for the Public Offer Shares — Effect of bad weather conditions on the opening of the application lists” above, the designated **HK eIPO White Form** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at **www.hkeipo.hk**.
- (vii) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **HK eIPO White Form** Service Provider to make an application for the Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.
- (viii) Warning: The application for Public Offer Shares through the **HK eIPO White Form** service is only a facility provided by the designated **HK eIPO White Form** Service Provider to public investors. Our Company, our Directors, the Sole Bookrunner, and the **HK eIPO White Form** Service Provider take no responsibility for such applications, and provide no assurance that applications through the **HK eIPO White Form** service will be submitted to our Company or that you will be allotted any Public Offer Shares.

### *Additional Information*

For the purposes of allocating the Public Offer Shares, each applicant giving **electronic application instructions** through the **HK eIPO White Form** service to the **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.com.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Public Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **HK eIPO White Form** Service Provider, the designated **HK eIPO White Form** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **HK eIPO White Form** Service Provider on the designated website at **www.hkeipo.com.hk**.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give electronic application instructions through the CCASS Phone System by calling 2979 7888 or CCASS Internet System (<https://ip.ccass.com>) (according to the procedures contained 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 come to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Centre  
2/F, Infinitus Plaza  
199 Des Voeux Road  
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above 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 are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your CCASS Clearing Participant or CCASS Custodian Participant to our Company and the Hong Kong Share Registrar.

### Minimum Subscription Amount and Permitted Numbers

You may give **electronic application instructions** in respect of a minimum of 4,000 Public Offer Shares. Each **electronic application instruction** must be in one of the numbers set out in the table in the Application Form.

### Application for Public Offer Shares by HKSCC Nominees on Your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:

- (i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- (ii) HKSCC Nominees does all the things on behalf of each of such persons who:
- agrees 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 stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
  - undertakes and agrees to accept the Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
  - undertakes and confirms that that person has not indicated an interest for, applied for or taken up any Shares under the Placing;
  - (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
  - (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;
  - understands that the above declaration will be relied upon by our Company, the Directors and the Sole Bookrunner in deciding whether or not to make any allotment of the Public Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
  - authorises our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund money in accordance with the arrangements separately agreed between our Company and HKSCC;
  - confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
  - confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations and that person agrees that neither our Company, the Sole Sponsor, the Sole Bookrunner, the Underwriters or any other parties involved in the Share Offer will have any liability for any such other information or representations;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- agrees that our Company, the Sole Sponsor, the Sole Bookrunner, the Underwriters and any of their respective directors, officers, employees, partners, agents, advisors or any other parties involved in the Share Offer are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agrees to disclose that person's personal data to our Company and the Hong Kong Share Registrar, the receiving banks, the Sole Sponsor and the Sole Bookrunner and their respective advisers and agents, the personal data and any information which they require about that person or the person(s) for whose benefit the application is made;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable on or before the expiration of the fifth day after the time of the opening of the application lists, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives 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 on or before the expiration of the fifth day after the time of the opening of the application lists except by means of one of the procedures referred to in this 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 Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by our Company;
- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Public Offer Shares; and
- agrees that such person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### Effect of Giving Electronic Application Instructions to HKSCC

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 will 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, the 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 the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies, in each case including brokerage, the 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 which it is stated to do on your behalf in the **WHITE** Application Form.

### 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 in respect of which you have given such instructions and/or in respect of 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 will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Allocation of Public Offer Shares

For the purpose of allocating the 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 each such instruction is given shall be treated as an applicant.

### Deposit of Share Certificates into CCASS and Refund of Application Monies

- No temporary documents of title will be issued. No receipt will be issued for application monies received.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- 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 the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Thursday, 8 August 2013 or, in the event of a contingency, on any other date as shall be 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/passport number or other identification code (Hong Kong business registration number for corporations) on our website at [www.grandming.com.hk](http://www.grandming.com.hk) and our Public Offer website [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result), and in special allocation results booklets which are available for inspection during opening hours of the branches or sub-branches of the receiving bank from Thursday, 8 August 2013 to Monday, 12 August 2013.

The basis of allotment of the Public Offer will be published on the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) on Thursday, 8 August 2013. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 8 August 2013 or such other date as shall be 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 Thursday, 8 August 2013. Immediately after the credit of the Public Offer Shares to your CCASS Investor Participant stock account and the credit of any refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public 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 initial price per Offer Share paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 8 August 2013. No interest will be paid thereon.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### Section 40 of the Companies 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 Ordinance.

### Warning

Application for the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Underwriters and any parties involved in the Share Offer take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit **electronic application instructions**, they should either:

- (i) submit the **WHITE** or **YELLOW** Application Form or **electronic application instructions** to the **HK eIPO White Form** Service Provider (as appropriate); or
- (ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form for **electronic application instructions** before 12:00 noon on Friday, 2 August, 2013 or such later time as described in "Effect of bad weather conditions on the opening of the application lists" above.

### HOW MANY APPLICATIONS YOU CAN MAKE

- (i) You may make more than one application for the Public Offer Shares only if you are a nominee, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC (if you are a CCASS Participant); and (ii) using a **WHITE** or **YELLOW** Application Form and lodging more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include for each beneficial owner (or, in the case of joint beneficial owner, for each beneficial owner):
  - an account number; or
  - some other identification code.

If you do not include this information, the application will be treated as being made for your own benefit.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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Otherwise, multiple applications are not allowed. It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to the Application Form is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; or to the **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service; or
  - (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, and that you are duly authorised to sign the Application Form as that other person's agent.
- (ii) All of your applications under the Public Offer are liable to be rejected as multiple applications if you, or you and your joint applicant(s) together:
- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service ([www.hkeipo.com.hk](http://www.hkeipo.com.hk));
  - both apply (whether individually or jointly with others) on one **WHITE** Application Form and one **YELLOW** Application Form or on one (or more) **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service ([www.hkeipo.com.hk](http://www.hkeipo.com.hk));
  - apply (whether individually or jointly with others) on one (or more) **WHITE** or **YELLOW** Application Form (whether individually or jointly with others) or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service for more than 50% of the Public Offer Shares initially available for subscription under the Public Offer; or
  - have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any Placing Shares under the Placing or indicate an interest for any Placing Shares.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- (iii) All of your applications will also be liable to be rejected as multiple applications if more than one application on a **WHITE** or a **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or the **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service ([www.hkeipo.com.hk](http://www.hkeipo.com.hk)) is made for your own benefit

If an application is made by an unlisted company and: (i) the principal business of that company is dealing in securities; and (ii) 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 in relation to a company means you: (i) control the composition of the board of directors of that company; or (ii) control more than half of the voting power of that company; or (iii) hold more than half of the issued share capital of that 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).

### RESULTS OF ALLOCATIONS

The Company expects to announce the Offer Price, the indication of the levels of interest in the Placing, the results of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 8 August 2013, in South China Morning Post (in English), in Hong Kong Economic Journal (in Chinese), on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.grandming.com.hk](http://www.grandming.com.hk). Results of allocations of the Public Offer, and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where appropriate) will be made available at the times and dates and in the manner specified below:

- Results of allocations will be available from the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk);
- Results of allocations will also be available from our website at [www.grandming.com.hk](http://www.grandming.com.hk) and our results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) on a 24-hour basis from 8:00 a.m. on Thursday, 8 August 2013 to 12:00 midnight on Wednesday, 14 August 2013. The user will be required to key in the Hong Kong identity card/passport/ Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocations will be available from our Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Public Offer Shares allocated to them, if any, by calling 3961 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 8 August 2013 to Tuesday, 13 August 2013 (excluding Saturday, Sunday and public holidays in Hong Kong);
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Thursday, 8 August 2013 to Monday, 12 August 2013 at all the receiving bank's branches at the addresses set out in "Where to collect the application forms" above.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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You will receive one share certificate for all the Offer Shares issued to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Form where share certificates will be deposited into CCASS).

### PRICE OF THE OFFER SHARES

The maximum Offer Price is set out in the Application Forms. You must also pay a brokerage of 1% Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%. The Application Forms have tables showing the exact amount payable for certain numbers of Shares up to 5,000,000 Shares. Your application must be for a minimum of 4,000 Shares. Applications must be in one of the numbers set out in the table. No application for any other number of Shares will be considered and any such application is liable to be rejected.

You must pay the maximum Offer Price, brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% in full when you apply for the Shares. You must pay the amount payable upon application for Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Form if you apply for the Public Offer Shares using Application Forms.

If your application is successful, brokerage is paid to the participants of the Stock Exchange or the Stock Exchange (as the case may be), the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, such levy is collected on behalf of the SFC).

If the Offer Price, as finally determined, is lower than the maximum Offer Price, our Company will refund the specific difference, including the brokerage, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. Our Company will not pay interest on any refunded amounts. Further details for refund are set out in "Despatch/Collection of Share certificates and refund monies" below.

### DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

We will not issue temporary documents of title in respect of the Offer Shares. No receipt will be issued for application monies paid. In the event that the Offer Price is less than the initial price per Offer Share paid by you on application, the surplus application monies (including the related brokerage of 1.0%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%) will be refunded to you without interest. Subject as mentioned below, in due course there 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:

- (i) for applicants on **WHITE** Application Forms or by **HK eIPO White Form** service, (A) Share certificate(s) for all the Public Offer Shares applied for, if the application is wholly successful; or (B) Share certificate(s) for the number of Public Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose Share certificates will be deposited into CCASS as described below);



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- (ii) for applicants on **WHITE** and **YELLOW** Application Forms, refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (A) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (B) all the application monies, if the application is wholly unsuccessful; and/or (C) the difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% but without interest;
- (iii) for applicants who apply through **HK eIPO White Form** service by paying the application monies through a single bank account and whose application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on the application, e-Auto Refund payment instructions (if any) will be despatched to the application payment bank account; and
- (iv) for applicants who apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts and whose application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on the application, refund cheques will be sent to the address as specified on the **HK eIPO White Form** application by ordinary post and at the applicant’s own risk.

Subject as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications under the **WHITE** or **YELLOW** Application Forms and Share certificates for successful applicants under the **WHITE** Application Form or to the **HK eIPO White Form** Service Provider via **HK eIPO White Form** service are expected to be posted on Thursday, 8 August 2013. The right is reserved to retain any Share certificates and any surplus application monies pending clearance of cheques.

**(i) If you apply using a WHITE Application Form:**

If you have applied for 1,000,000 Public Offer Shares or more and have indicated on your **WHITE** Application Form that you wish to collect your Share certificate(s) and/or your refund cheque(s) (where applicable) and have provided all information required by the Application Form, you may collect them from Tricor Investor Services Limited, 26/F Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Thursday, 8 August 2013 or any other place or date notified by us in the newspapers as the date of despatch/collection of Share certificates. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant who opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce,

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your Share certificate(s) or refund cheque(s) (if any) within the time period specified for collection, they will be despatched to you by ordinary post to the address as specified in your Application Form at your own risk.

If you have applied for less than 1,000,000 Public Offer Shares or, if you have applied for 1,000,000 Public Offer Shares or more but have not indicated on your Application Form that you wish to collect your Share certificate(s) or refund cheque(s) (if any) in person then your Share certificates or refund cheque(s) (if any) will be sent to the address on your Application Form on or around Thursday, 8 August 2013 or any other date notified by us as the date of despatch of Share certificate/refund cheques by ordinary post and at your own risk. You should note that there is no guarantee when you will receive your Share certificate by post. Therefore, if you sell your Shares in the first few days after the Shares commence trading on the Stock Exchange, you may not receive your Share certificate in time for settlement.

Share certificates will only become valid certificates of title provided that the Public Offer has become unconditional in all respects and the Underwriting Agreements not having been terminated in accordance with its terms, which is expected to be at 8:00 a.m. on Friday, 9 August 2013.

**(ii) If you apply using a YELLOW Application Form:**

If you apply for the Public Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificates will be registered in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Thursday, 8 August 2013, or under a contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for the Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a 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, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "Results of allocations" above on Thursday, 8 August 2013. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 8 August 2013 or such other date as will be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your CCASS Investor Participants stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participants stock account.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Thursday, 8 August 2013, by ordinary post and at your own risk.

**(iii) If you apply through HK eIPO White Form service:**

If you apply for 1,000,000 Public Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 8 August 2013, or such other date as notified by us in the newspapers as the date of despatch of e-Auto Refund payment instructions/refund cheque(s)/Share certificate(s). If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares or, if you apply for 1,000,000 Public Offer Shares or more but have not indicated on your application that you will collect your Share certificates in person, your Share certificate(s) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider on Thursday, 8 August 2013 by ordinary post and at your own risk.

If you apply through the **HK eIPO White Form** service by paying the application monies through a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, e-Auto Refund payment instructions (if any) will be despatched to your application payment bank account on Thursday, 8 August 2013.

If you apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider on Thursday, 8 August 2013, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **HK eIPO White Form** Service Provider set out in the paragraph headed "Apply through **HK eIPO White Form** — Additional information" above.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allotted Shares are set out in the notes attached to the Application Forms (whether you are making your application by an Application Form or through **HK eIPO White Form** or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf), and you should read them carefully. You should note the following situations in which the Public Offer Shares will not be allocated to you or your application is liable to be rejected:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving an electronic application instruction to HKSCC, you agree that you cannot revoke your application or the application made by HKSCC Nominees on your behalf on or before the expiration of the fifth day after the time of the opening of the application lists. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or by applying online through **HK eIPO White Form** services or submit your **electronic application instructions** to HKSCC via CCASS and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the expiration of the fifth day after the time of the opening of the application lists except by means of one of the procedures referred to in this prospectus.

You may only revoke your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the expiration of the fifth day after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that persons for this prospectus.

If any supplement to this prospectus is issued, you may or may not (depending on the information contained in the supplement) be notified that you can withdraw your applications. If you have not been so notified, or if you have been notified but have not withdrawn your applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and you shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominee 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 announcement 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.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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**(ii) If the allotment of Public Offer Shares is void:**

The allotment of the Public Offer Shares to you or to HKSCC Nominees, if made, will be void if the Listing Committee of the Stock Exchange does not grant the approval of the listing of, and permission to deal in the Shares either:

- within three weeks from the closing of the applications lists; or
- 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.

**(iii) If you make applications under the Public Offer as well as the Placing:**

You or the person for whose benefits you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) Shares in the Placing. By filling in any of the Application Forms or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service electronically, you agree not to apply for Placing Shares under the Placing.

Reasonable steps will be taken to identify and reject applications under the Public Offer from investors who have received Placing Shares, and to identify and reject indications of interest in the Placing from investors who have received the Public Offer Shares in the Public Offer.

**(iv) If our Company, the Sole Bookrunner or their respective agents exercise their discretion:**

Our Company, the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

**(v) Your application will be rejected or not be accepted if:**

- you make multiple applications or you are suspected to have made multiple applications;
- you or the person for whose benefit you apply for itself have applied for or taken up, or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) or will apply for or take up or indicate an interest in or receive or be placed or allocated any Placing Shares under the Placing, or otherwise participate in the Placing, reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received the Placing Shares;
- your payment is not made correctly;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;
- your Application Form is not completed in accordance with the instructions as stated in the Application Form;
- we or any of our agents believe that by accepting your application, would violate the applicable laws, rules or regulations of the jurisdiction in which your application is, or suspected to be completed and/or signed or would result in us not being able to satisfy the public float requirements under the Listing Rules applicable to us;
- you apply for more than 100% of the Public Offer Shares initially available for allocation in either pool A (5,000,000 Shares) or pool B (5,000,000 Shares) under the Public Offer;
- any of the Underwriting Agreements does not become unconditional;
- either of the Underwriting Agreements is terminated in accordance with its respective terms or otherwise; or
- no agreement has been reached on the Offer Price on or before the Price Determination Date.

### REFUND OF APPLICATION MONIES

If you do not receive any Public Offer Shares for any of the above reasons, our Company will refund to you your application monies, including the related brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies including the related brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK\$1.11 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, our Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, attributable to the surplus application monies without interest.

All such interest accrued on such monies prior to the date of despatch of refund monies will be retained for the benefit of our Company.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Sole Bookrunner, applications for certain small denominations of the Public Offer Shares (apart from successful applications) may be eliminated in a pre-balloting.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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Refund cheques will be crossed “Account Payee Only”, and made out to you, or, if you are joint applicants, to the first-named applicant on the Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you will be printed on your refund cheque(s), if any. Such data would also be transferred to a third party for refund purpose. 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 lead to delay in encashment of or may invalidate your refund cheque(s).

If you have applied for 1,000,000 Public Offer Shares or more and have indicated on the Application Form that you wish to collect your refund cheque(s) (if any) in person, you may collect it from:

Tricor Investor Services Limited  
26/F, Tesbury Centre  
28 Queen’s Road East  
Wanchai, Hong Kong

between 9:00 a.m. and 1:00 p.m. on Thursday, 8 August 2013, or any other date notified by us in the newspapers as the date of collection of refund cheque(s).

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. You must produce evidence of identity (which must be acceptable to Tricor Investor Services Limited) which must correspond with the information contained in the Application Form for collection of your refund cheque(s).

If you are a corporate applicant who opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation’s chop. Such authorised representative must produce at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited.

If you do not collect your refund cheque(s) personally within the time specified for collection, they will be despatched to you to the address as specified on the Application Form thereafter by ordinary post and at your own risk.

If you have applied for less than 1,000,000 Public Offer Shares or you have applied for 1,000,000 Public Offer Shares or more but have not indicated on the Application Form that you will collect your refund cheque(s) in person, your refund cheque(s) will be sent to the address as specified on the Application Form on Thursday, 8 August 2013, by ordinary post and at your own risk.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### COMMENCEMENT OF DEALINGS IN THE SHARES

- Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 9 August 2013.
- The Shares will be traded in board lots of 4,000 each. The stock code of the Shares is 1271.

### SHARES WILL BE ELIGIBLE FOR ADMISSION 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.
- Investors should seek advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.



*The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.*



8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

30 July 2013

The Directors  
Grand Ming Group Holdings Limited

Cinda International Capital Limited

Dear Sirs,

## **INTRODUCTION**

We set out below our report on the financial information relating to Grand Ming Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the combined balance sheets of the Group as at 31 March 2011, 2012 and 2013, and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group, for each of the years ended 31 March 2011, 2012 and 2013 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 30 July 2013 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 14 August 2012 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 19 July 2013 (the "Reorganisation") as detailed in the section headed "History, Development and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in note 1(b) of Section B below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company, GTC Holdings Ltd., Wellford Properties Holdings Ltd. and GTC Vision Limited as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies now comprising the Group have adopted 31 March as their financial year end date. Details of the companies comprising the Group that were subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 31 of Section B. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) on the same basis in respect of the preparation of the Financial Information as set out in Section B below. The Underlying Financial Statements for each of the years ended 31 March 2011, 2012 and 2013 were audited by us under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

#### **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION**

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

#### **REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 March 2013.

#### **OPINION**

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation set out in note 1(b) of Section B below, a true and fair view of the state of affairs of the Group as at 31 March 2011, 2012 and 2013 and the Group's combined results and cash flows for the Relevant Periods then ended.

## A FINANCIAL INFORMATION

1 Combined income statements  
(Expressed in Hong Kong dollars)

	<i>Section B</i>	<b>Year ended 31 March</b>		
		<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>	4	457,961	1,058,062	773,700
<b>Direct costs</b>		<u>(364,732)</u>	<u>(941,265)</u>	<u>(633,648)</u>
<b>Gross profit</b>		93,229	116,797	140,052
Other revenue	5	523	903	3,231
Other net (loss)/income	6	(2,698)	(8,075)	198
General and administrative expenses		(14,536)	(12,873)	(20,832)
Changes in fair value of investment properties	15	<u>201,922</u>	<u>43,000</u>	<u>67,395</u>
<b>Profit from operations</b>		278,440	139,752	190,044
Finance costs	7(a)	<u>(21,549)</u>	<u>(26,323)</u>	<u>(24,085)</u>
<b>Profit before taxation</b>	7	256,891	113,429	165,959
Income tax	8(a)	<u>(9,188)</u>	<u>(11,493)</u>	<u>(16,978)</u>
<b>Profit for the year</b>		<u>247,703</u>	<u>101,936</u>	<u>148,981</u>

The accompanying notes form part of the Financial Information.

**2 Combined statements of comprehensive income**  
**(Expressed in Hong Kong dollars)**

	<i>Section B</i>	<b>Year ended 31 March</b>		
		<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the year</b>		247,703	101,936	148,981
<b>Other comprehensive income for the year</b>	9			
Available-for-sale securities:				
net movement in the fair value reserve		—	(715)	760
Cash flow hedges:				
net movement in the hedging reserve		—	(17,801)	3,271
<b>Total comprehensive income for the year</b>		<u>247,703</u>	<u>83,420</u>	<u>153,012</u>

The accompanying notes form part of the Financial Information.

**3 Combined balance sheets**  
(Expressed in Hong Kong dollars)

		<b>At 31 March</b>		
	<i>Section B</i>	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>				
Fixed assets	15			
— Investment properties		1,740,000	1,783,000	1,974,000
— Other property, plant and equipment		2,613	1,478	1,131
		<u>1,742,613</u>	<u>1,784,478</u>	<u>1,975,131</u>
Other financial assets	16	15,267	14,285	15,045
		<u>1,757,880</u>	<u>1,798,763</u>	<u>1,990,176</u>
<b>Current assets</b>				
Gross amount due from customers for contract work	20	68,021	12,240	16,358
Trade and other receivables	17	213,656	279,046	186,506
Tax recoverable	8(c)	721	264	—
Restricted and pledged deposits	18	46,220	44,784	43,920
Cash and cash equivalents	19	16,749	76,761	55,467
		<u>345,367</u>	<u>413,095</u>	<u>302,251</u>
<b>Current liabilities</b>				
Gross amount due to customers for contract work	20	10,770	20,468	33,747
Trade and other payables	21	149,446	284,227	87,582
Bank loans	22	837,064	697,959	67,470
Tax payable	8(c)	—	6,111	5,996
		<u>997,280</u>	<u>1,008,765</u>	<u>194,795</u>
<b>Net current (liabilities)/assets</b>		<u>(651,913)</u>	<u>(595,670)</u>	<u>107,456</u>
<b>Total assets less current liabilities</b>		<u>1,105,967</u>	<u>1,203,093</u>	<u>2,097,632</u>
<b>Non-current liabilities</b>				
Bank loans	22	—	—	760,671
Deferred tax liabilities	8(c)	12,013	12,881	17,833
Derivative financial instruments	23	3,482	32,820	28,724
		<u>15,495</u>	<u>45,701</u>	<u>807,228</u>
<b>NET ASSETS</b>		<u>1,090,472</u>	<u>1,157,392</u>	<u>1,290,404</u>
<b>CAPITAL AND RESERVES</b>				
Share capital	24(b)	5,000	5,000	5,000
Reserves		<u>1,085,472</u>	<u>1,152,392</u>	<u>1,285,404</u>
<b>TOTAL EQUITY</b>		<u>1,090,472</u>	<u>1,157,392</u>	<u>1,290,404</u>

The accompanying notes form part of the Financial Information.

**4 Combined statements of changes in equity**  
**(Expressed in Hong Kong dollars)**

	Attributable to equity shareholders of the Group				
	Share capital <i>HK\$'000</i>	Fair value reserve <i>HK\$'000</i>	Hedging reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2010	5,000	—	—	838,769	843,769
<b>Changes in equity for 2011:</b>					
Profit and total comprehensive income for the year	—	—	—	247,703	247,703
Dividends declared ( <i>note 12</i> )	—	—	—	(1,000)	(1,000)
At 31 March 2011	<u>5,000</u>	<u>—</u>	<u>—</u>	<u>1,085,472</u>	<u>1,090,472</u>
At 1 April 2011	5,000	—	—	1,085,472	1,090,472
<b>Changes in equity for 2012:</b>					
Profit for the year	—	—	—	101,936	101,936
Other comprehensive income ( <i>note 9</i> )					
— Changes in fair value of derivative financial instruments for the year	—	—	(17,801)	—	(17,801)
— Changes in fair value of available-for-sale securities for the year	—	(605)	—	—	(605)
— Reclassification adjustment for amount transferred to profit or loss upon disposal	—	(110)	—	—	(110)
	<u>—</u>	<u>(715)</u>	<u>(17,801)</u>	<u>—</u>	<u>(18,516)</u>
Total comprehensive income for the year	—	(715)	(17,801)	101,936	83,420
Dividends declared ( <i>note 12</i> )	—	—	—	(16,500)	(16,500)
At 31 March 2012	<u>5,000</u>	<u>(715)</u>	<u>(17,801)</u>	<u>1,170,908</u>	<u>1,157,392</u>

	Attributable to equity shareholders of the Group				
	Share capital	Fair value reserve	Hedging reserve	Retained profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012	5,000	(715)	(17,801)	1,170,908	1,157,392
<b>Changes in equity for 2013:</b>					
Profit for the year	—	—	—	148,981	148,981
Other comprehensive income ( <i>note 9</i> )					
— Changes in fair value of derivative financial instruments for the year	—	—	3,271	—	3,271
— Changes in fair value of available-for-sale securities for the year	—	760	—	—	760
	—	760	3,271	—	4,031
Total comprehensive income for the year	—	760	3,271	148,981	153,012
Dividends declared ( <i>note 12</i> )	—	—	—	(20,000)	(20,000)
At 31 March 2013	5,000	45	(14,530)	1,299,889	1,290,404

The accompanying notes form part of the Financial Information.

**5 Combined cash flow statements**  
**(Expressed in Hong Kong dollars)**

	<i>Section B</i>	<b>Year ended 31 March</b>		
		<i>Note</i>	<b>2011</b>	<b>2012</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Operating activities</b>				
Profit before taxation		256,891	113,429	165,959
Adjustments for:				
— Interest income	5	(55)	(245)	(354)
— Finance costs	7(a)	21,549	26,323	24,085
— Depreciation	7(c)	1,314	1,153	1,390
— Dividend income from unlisted securities	5	(195)	(245)	(920)
— Changes in fair value of investment properties	15	(201,922)	(43,000)	(67,395)
— Net unrealised loss/(gain) on derivative financial instruments	6	3,020	8,477	(174)
— Gain on disposal of available-for-sale securities	6	—	(110)	—
— Net foreign exchange (gain)/loss	6	(49)	(68)	18
<b>Changes in working capital:</b>				
(Increase)/decrease in trade and other receivables		(69,535)	(65,511)	92,516
(Increase)/decrease in gross amount due from customers for contract work		(760)	61,881	(3,804)
(Decrease)/increase in trade and other payables		(64,569)	134,781	(196,645)
(Decrease)/increase in gross amount due to customers for contract work		<u>(1,282)</u>	<u>9,698</u>	<u>19,161</u>
<b>Cash (used in)/generated from operations</b>		<u>(55,593)</u>	<u>246,563</u>	<u>33,837</u>
Tax paid		<u>(2,042)</u>	<u>(541)</u>	<u>(12,522)</u>
<b>Net cash (used in)/generated from operating activities</b>		<u>(57,635)</u>	<u>246,022</u>	<u>21,315</u>



	<i>Section B</i>	<b>Year ended 31 March</b>		
		<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Investing activities</b>				
Payment for the purchase of fixed assets		(298)	(18)	(1,043)
Expenditure on investment properties		(48,078)	—	(123,605)
Proceeds from disposal of available-for-sale securities		—	15,110	—
Payment for the purchase of available-for-sale securities		(15,000)	(15,000)	—
Interest received		55	245	354
Dividends received from unlisted investments		195	245	920
<b>Net cash (used in)/generated from investing activities</b>		<u>(63,126)</u>	<u>582</u>	<u>(123,374)</u>
<b>Financing activities</b>				
Proceeds from bank loans		361,911	646,220	587,481
Repayment of bank loans		(234,840)	(785,500)	(457,474)
Decrease in pledged deposits		13,665	1,436	864
Interest and other borrowing costs paid		(25,116)	(32,248)	(30,106)
Dividends paid		(1,000)	(16,500)	(20,000)
<b>Net cash generated from/(used in) financing activities</b>		<u>114,620</u>	<u>(186,592)</u>	<u>80,765</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(6,141)	60,012	(21,294)
<b>Cash and cash equivalents at the beginning of the year</b>		<u>22,890</u>	<u>16,749</u>	<u>76,761</u>
<b>Cash and cash equivalents at the end of the year</b>	19	<u><u>16,749</u></u>	<u><u>76,761</u></u>	<u><u>55,467</u></u>

The accompanying notes form part of the Financial Information.

**B NOTES TO THE FINANCIAL INFORMATION****(Expressed in Hong Kong dollars unless otherwise indicated)****1 SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes Hong Kong Accounting Standards and related interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are effective for the accounting periods beginning on or after 1 April 2013. The revised and new accounting standards and interpretations issued but effective for the accounting periods beginning on or after 1 April 2013 are set out in note 29.

This Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

**(b) Basis of preparation and presentation**

The Company was incorporated in the Cayman Islands on 14 August 2012 as part of the Reorganisation. The companies taking part in the Reorganisation were controlled by Mr. Chan Hung Ming (“Mr. Chan”) (the “Controlling Shareholder”). Pursuant to the Reorganisation completed on 19 July 2013, the Company became the holding company of the companies now comprising the Group.

As all the companies now comprising the Group were controlled by the Controlling Shareholder before and after the Reorganisation, there was a continuation of the risks and benefits to the Controlling Shareholder and, therefore, the Reorganisation is considered to be a restructuring of businesses under common control. The Financial Information has been prepared using the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods. The assets and liabilities of the companies that took part in the Reorganisation are combined using the existing book values from the Controlling Shareholder’s perspective.

The combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group for the Relevant Periods as set out in Section A of this report include the results of operations of the companies now comprising the Group (or where the companies were incorporated at a date later than

1 April 2010, for the period from the date of incorporation to 31 March 2013) as if the current group structure had been in existence and remained unchanged throughout the Relevant Periods. The combined balance sheets of the Group as at 31 March 2011, 2012 and 2013 as set out in Section A of this report have been prepared to present the state of affairs of the companies now comprising the Group as at those dates as if the current group structure had been in existence as at the respective dates.

Intra-group balances and transactions are eliminated in full in preparing the Financial Information.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies and incorporated in Hong Kong unless otherwise stated, particulars of which are set out below:

Name of subsidiary	Place of incorporation	Date of incorporation	Issued and fully paid up capital	Proportion of ownership interest		Principal activities
				Group's effective interest	held by the Company	
GTC Holdings Ltd.	British Virgin Islands	3 August 2012	US\$1	100%	100%	Investment holding
Wellford Properties Holdings Ltd.	British Virgin Islands	3 August 2012	US\$1	100%	100%	Investment holding
GTC Vision Limited	British Virgin Islands	3 August 2012	US\$1	100%	100%	Dormant
Grand Tech Construction Company Limited	Hong Kong	31 August 1995	HK\$5,000,000	100%	—	Construction and engineering
Wellford Properties Limited	Hong Kong	7 March 2006	HK\$100	100%	—	Property investment
Winning Tech Limited	Hong Kong	19 October 2012	HK\$1	100%	—	Property investment

**(c) Basis of measurement and use of estimates and judgements**

The Financial Information is presented in Hong Kong dollars, rounded to the nearest thousand. It is prepared on the historical cost basis except for investment properties, financial instruments classified as available-for-sale securities and derivative financial instruments which are stated at their fair values.

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 2.

**(d) Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains by only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as fair value on initial recognition of a financial asset (see note 1(e)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)).

**(e) Other investments in securities**

The Group's policies for investments in securities, other than investments in subsidiaries, are as follows:

Investments in securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs.

Other investments in securities, being those held for non-trading purposes, are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except for foreign exchange gains and losses resulting from changes in the amortised cost of monetary items, such as debt securities, which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(t)(iv) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 1(t)(v). When these investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

**(f) Derivative financial instruments**

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1(g)).

**(g) Hedging**

*Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity and is included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

**(h) Investment property**

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(t)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(j).

**(i) Other property, plant and equipment**

Other property, plant and equipment is stated at cost less accumulated depreciation and impairment losses (see note 1(k)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Furniture and fixtures	5 years
— Other fixed assets	3 - 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

**(j) Leased assets**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

**(i) *Classification of assets leased to the Group***

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

- property held under operating leases that would otherwise meet the definition of investment property is classified as investment properties on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(h)).

**(ii) *Operating lease charges***

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as investment property (see note 1(h)).

**(k) Impairment of assets****(i) *Impairment of investments in securities and other receivables***

Investments in securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.



Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the property, plant and equipment (other than properties carried at revalued amounts) may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**(l) Construction contracts**

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 1(t)(i). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. 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 costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are included under "Trade and other payables".

**(m) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

**(n) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

**(o) Trade and other payables**

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(p) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

**(q) Employee benefits**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

**(r) Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when

determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**(s) Financial guarantees issued, provisions and contingent liabilities****(i) *Financial guarantees issued***

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

**(ii) *Other provisions and contingent liabilities***

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(t) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

**(i) Contract revenue**

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

**(ii) Rental income from operating leases**

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

**(iii) Rental related income**

Rental related income is recognised on an accruals basis.

**(iv) Dividends**

Dividend income from unlisted investments is recognised when the Group's right to receive payment is established.

**(v) Interest income**

Interest income is recognised as it accrues using the effective interest method.

**(u) Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

**(v) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**(w) Related parties**

- (1) A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (2) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (1).
  - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(x) Segment reporting**

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

**2 ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

**(i) Valuation of investment properties and investment properties under development**

As described in note 15, investment properties and investment properties under development are stated at fair value based on the valuation performed by an independent firm of professional valuers.

In determining the fair value of investment properties, the valuers have based on a method of valuation which involves, inter-alia, certain estimates including appropriate discount rates, terminal capitalisation rates and expected future market rents. In assessing the fair value of investment properties under development, the valuers have adopted a direct comparison approach which is based on recent comparable market transactions. The valuers have made adjustments to recorded transactions by taking into account relevant factors affecting the value of the property. In relying on the valuation report, management has exercised its judgement and is satisfied that the method of valuation is reflective of the current market conditions.

**(ii) Construction contracts**

As explained in policy notes 1(l) and 1(t)(i), revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 20 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.



**(iii) Depreciation**

Fixed assets are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the fixed assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

**(iv) Impairment of trade receivables**

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivables balance, credit-worthiness of the customer and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

**3 FINANCIAL RISK MANAGEMENT AND FAIR VALUES**

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

**(a) Credit risk**

The Group's credit risk is primarily attributable to bank deposits, financial derivative instruments and trade and other receivables. The Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Transactions involving derivative financial instruments are with counterparties of sound credit standing. Given their high credit ratings, management does not expect any of these financial institutions and counterparties will fail to meet their obligations.

Before entering into construction contracts, assessment of the potential customers is carried out as part of the acceptance procedures for the new contracts.

Regular review and follow-up actions are carried out on overdue amounts of trade receivables from customers which enable management to assess their recoverability and to minimise the exposure to credit risk. Trade receivables are due within 0-45 days from the date of billing. Normally, the Group does not obtain collateral from customers.

In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

At the balance sheet date, the Group has significant concentration of credit risk in a few customers. In view of their credit standing, good payment record and long established relationships with the Group, management does not consider the Group's credit risk to be significant. At the balance sheet date, 24% and 99% (31 March 2012: 69% and 93%; 31 March 2011: 73% and 84%) of the total trade debtor was due from the Group's largest customer and the five largest customers respectively.

Except for the financial guarantees given by the Group as set out in note 27, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 27.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

**(b) Liquidity risk**

Individual subsidiaries within the Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands, subject to approval by the Company's board of directors. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date 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 at the balance sheet date) and the earliest date the Group can be required to pay:

<b>At 31 March 2013</b>						
	<b>Carrying amount</b>	<b>Total contractual undiscounted cash flow</b>	<b>Within 1 year or on demand</b>	<b>More than 1 year but less than 2 years</b>	<b>More than 2 years but less than 5 years</b>	<b>More than 5 years</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	828,141	887,041	75,604	126,483	430,684	254,270
Creditors and accrued charges	37,106	37,106	37,106	—	—	—
Retentions payable	35,962	35,962	11,786	24,176	—	—
Amounts due to the former holding company	<u>8,450</u>	<u>8,450</u>	<u>8,450</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>909,659</u>	<u>968,559</u>	<u>132,946</u>	<u>150,659</u>	<u>430,684</u>	<u>254,270</u>
Derivative settled net:						
Interest rate swap contracts	<u>28,724</u>	<u>32,580</u>	<u>14,221</u>	<u>12,690</u>	<u>5,669</u>	<u>—</u>
<b>At 31 March 2012</b>						
	<b>Carrying amount</b>	<b>Total contractual undiscounted cash flow</b>	<b>Within 1 year or on demand</b>	<b>More than 1 year but less than 2 years</b>	<b>More than 2 years but less than 5 years</b>	<b>More than 5 years</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	697,959	764,772	764,772	—	—	—
Creditors and accrued charges	199,692	199,692	199,692	—	—	—
Retentions payable	60,158	60,158	34,136	3,397	22,625	—
Amounts due to the former holding company	<u>10,238</u>	<u>10,238</u>	<u>10,238</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>968,047</u>	<u>1,034,860</u>	<u>1,008,838</u>	<u>3,397</u>	<u>22,625</u>	<u>—</u>
Derivative settled net:						
Interest rate swap contracts	<u>32,820</u>	<u>42,069</u>	<u>12,306</u>	<u>12,306</u>	<u>17,457</u>	<u>—</u>

At 31 March 2011						
	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	More than 5 years <i>HK\$'000</i>
Bank loans	837,064	869,146	869,146	—	—	—
Creditors and accrued charges	89,875	89,875	89,875	—	—	—
Retentions payable	35,833	35,833	11,691	21,156	2,986	—
Amounts due to a shareholder	1,362	1,362	1,362	—	—	—
Amounts due to the former holding company	5,346	5,346	5,346	—	—	—
	<u>969,480</u>	<u>1,001,562</u>	<u>977,420</u>	<u>21,156</u>	<u>2,986</u>	<u>—</u>
Derivative settled net:						
Interest rate swap contracts	<u>3,215</u>	<u>66,607</u>	<u>15,052</u>	<u>15,052</u>	<u>36,503</u>	<u>—</u>

**(c) Interest rate risk**

The Group is exposed to interest rate risk through the impact of rates changes on interest-bearing borrowings which predominantly bear floating interest rates. The Group monitors closely its interest rate exposure and the level of fixed rate and floating rate borrowing and considers hedging interest rate exposure should the need arise. The Group's interest rate profile as monitored by management is set out in (ii) below.

The interest rates and terms of repayment of interest-bearing borrowings of the Group are disclosed in note 22 to the Financial Information.

**(i) Hedging**

Interest rate swaps, denominated in Hong Kong dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy. At 31 March 2013, 31 March 2012 and 31 March 2011, the Group had interest rate swaps with a notional contract amount of HK\$820,000,000, HK\$668,000,000 and HK\$Nil respectively, which it has designated as cash flow hedges of the interest rate risk inherent in its variable rate bank borrowings. At 31 March 2013, 31 March 2012 and 31 March 2011, the Group had interest rate swaps with a notional contract amount of HK\$200,000,000, HK\$200,000,000 and HK\$916,000,000 respectively, which were not designated as cash flow hedging instruments.

The swaps mature over the next five years and have fixed swap rates ranging from 0.89% to 1.97%, 1.81% to 1.97% and 1.81% to 1.97% at 31 March 2013, 31 March 2012 and 31 March 2011 respectively. The net fair value of swaps entered into by the Group at 31 March 2013, 31 March 2012 and 31 March 2011 was HK\$28,724,000, HK\$32,820,000 and HK\$3,215,000 respectively. These amounts are recognised as derivative financial instruments (note 23).

(ii) *Interest rate profile*

The following table details the interest rate profile of the Group's net borrowings (as defined above) at the balance sheet date, after taking into account the effect of interest rate swaps designated as cash flow hedging instruments (see (i) above).

	At 31 March					
	2011		2012		2013	
	Effective interest rate		Effective interest rate		Effective interest rate	
	%	HK\$'000	%	HK\$'000	%	HK\$'000
<b>Net fixed rate borrowings:</b>						
Bank loans	5.32	25,479	3.82	684,048	3.66	821,289
<b>Variable rate borrowings:</b>						
Bank loans	2.10	<u>811,585</u>	2.66	<u>13,911</u>	2.38	<u>6,852</u>
Total net borrowings		<u>837,064</u>		<u>697,959</u>		<u>828,141</u>
Net fixed rate borrowings as a percentage of total net borrowings		<u>3.04%</u>		<u>98.01%</u>		<u>99.17%</u>

(iii) *Sensitivity analysis*

At 31 March 2013, 31 March 2012 and 31 March 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and total equity by approximately HK\$57,000, HK\$116,000 and HK\$6,816,000, respectively, in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The analysis has been performed on the same basis for the years 2011 to 2013.

**(d) Foreign currency risk**

The Group has no significant exposure to foreign currency risk as substantially all of the Group's transactions are denominated in Hong Kong dollars.

**(e) Fair values****(i) Financial instruments carried at fair value**

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

31 March 2013

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>				
Available-for-sale securities	—	15,045	—	15,045
	<u>—</u>	<u>15,045</u>	<u>—</u>	<u>15,045</u>
<b>Liabilities</b>				
Derivative financial instruments:				
— Interest rate swaps	—	28,724	—	28,724
	<u>—</u>	<u>28,724</u>	<u>—</u>	<u>28,724</u>

31 March 2012

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets</b>				
Available-for-sale securities	—	14,285	—	14,285
Derivative financial instruments:				
— Foreign exchange forward contracts	—	6	—	6
	<u>—</u>	<u>14,291</u>	<u>—</u>	<u>14,291</u>
<b>Liabilities</b>				
Derivative financial instruments:				
— Interest rate swaps	—	32,820	—	32,820
	<u>—</u>	<u>32,820</u>	<u>—</u>	<u>32,820</u>

31 March 2011

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets</b>				
Available-for-sale securities	—	15,000	—	15,000
Derivative financial instruments:				
— Interest rate swaps	—	267	—	267
— Foreign exchange forward contracts	—	195	—	195
	<u>—</u>	<u>15,462</u>	<u>—</u>	<u>15,462</u>
<b>Liabilities</b>				
Derivative financial instruments:				
— Interest rate swaps	—	3,482	—	3,482
	<u>—</u>	<u>3,482</u>	<u>—</u>	<u>3,482</u>

During the years ended 31 March 2011, 2012 and 2013, there were no significant transfers between instruments in Level 1 and Level 2.

(ii) *Fair values of financial instruments carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2011, 2012 and 2013.

**(f) Estimation of fair values**

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

**(i) Available-for-sale securities**

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

**(ii) Derivative financial instruments**

The fair values of foreign exchange forward contracts and interest rate swap contracts are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract, discounted at current market interest rates for a similar financial instrument at the measurement date.

**(iii) Interest-bearing borrowings**

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments at the measurement date.

**4 TURNOVER**

Turnover represents revenue from construction contracts and rental income and is analysed as follows:

	<b>Year ended 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from construction contracts	349,780	926,844	640,112
Rental income	97,726	112,815	113,049
Rental related income	10,455	18,403	20,539
	<u>457,961</u>	<u>1,058,062</u>	<u>773,700</u>



## 5 OTHER REVENUE

	Year ended 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	55	245	354
Dividend income from unlisted securities	195	245	920
Others	273	413	1,957
	<u>523</u>	<u>903</u>	<u>3,231</u>

## 6 OTHER NET (LOSS)/INCOME

	Year ended 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net unrealised (loss)/gain on derivative financial instruments	(3,020)	(8,477)	174
Net foreign exchange gain/(loss)	49	68	(18)
Net realised gain on foreign exchange forward contracts	275	210	6
Gain on disposal of available-for-sale securities	—	110	—
Others	(2)	14	36
	<u>(2,698)</u>	<u>(8,075)</u>	<u>198</u>

## 7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
(a) Finance costs:			
Interest on bank loans wholly repayable:			
— within five years	24,852	32,082	24,030
— after five years	—	—	5,565
Other borrowing costs	439	341	686
	25,291	32,423	30,281
Less: Amount included in construction contracts in progress	(3,742)	(6,100)	(6,196)
	<u>21,549</u>	<u>26,323</u>	<u>24,085</u>
(b) Staff costs (including directors' remuneration):			
Salaries, wages and other benefits	56,314	54,789	53,755
Contributions to defined contribution retirement plans	1,472	1,521	1,652
Less: Amount included in construction contracts in progress	(42,072)	(42,373)	(47,963)
	<u>15,714</u>	<u>13,937</u>	<u>7,444</u>
(c) Other items:			
Depreciation	1,314	1,153	1,390
Rental income from investment properties	(97,726)	(112,815)	(113,049)
Less: Direct outgoings	25,836	34,496	34,749
	(71,890)	(78,319)	(78,300)
Auditors' remuneration			
— audit services	109	600	1,420
— other services	—	33	1,443

## 8 INCOME TAX

(a) Income tax in the combined income statements represents:

	Year ended 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
<b>Current tax</b>			
Provision for Hong Kong Profits Tax for the year	596	7,109	12,993
Over-provision in respect of prior years	—	—	(322)
	<u>596</u>	<u>7,109</u>	<u>12,671</u>
<b>Deferred tax</b>			
Origination and reversal of temporary differences	8,592	4,384	4,307
	<u>9,188</u>	<u>11,493</u>	<u>16,978</u>

- (i) Pursuant to the rules and regulations of the British Virgin Islands (“BVI”) and the Cayman Islands, the Group is not subject to any income tax in the BVI and the Cayman Islands.
- (ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Relevant Periods.

- (b) Reconciliation between income tax expense and accounting profit before taxation at applicable tax rate:

	Year ended 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>256,891</u>	<u>113,429</u>	<u>165,959</u>
Notional tax on profit before taxation, calculated at the rate applicable to the profits in the jurisdictions concerned	42,387	18,716	27,383
Effect of non-taxable income	(33,318)	(7,264)	(11,534)
Effect of non-deductible expenses	122	97	1,454
Effect of unused tax losses not recognised	—	1	—
Over-provision in respect of prior years	—	—	(322)
Others	<u>(3)</u>	<u>(57)</u>	<u>(3)</u>
Actual income tax expense	<u>9,188</u>	<u>11,493</u>	<u>16,978</u>

- (c) Income tax in the combined balance sheets represents:

(i) *Current taxation*

	At 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for the year	596	7,109	12,993
Tax paid in respect of provision for the year	<u>(936)</u>	<u>(634)</u>	<u>(6,522)</u>
	(340)	6,475	6,471
Balance of Profits Tax recoverable relating to prior years	<u>(381)</u>	<u>(628)</u>	<u>(475)</u>
Net tax (recoverable)/payable	<u>(721)</u>	<u>5,847</u>	<u>5,996</u>
Representing:			
Tax recoverable	(721)	(264)	—
Tax payable	<u>—</u>	<u>6,111</u>	<u>5,996</u>
Net tax (recoverable)/payable	<u>(721)</u>	<u>5,847</u>	<u>5,996</u>

(ii) *Deferred tax assets and liabilities recognised*

The components of deferred tax assets and liabilities recognised in the combined balance sheets and the movements during the year are as follows:

<i>Deferred tax arising from:</i>	<b>Depreciation allowances in excess of the related depreciation</b>	<b>Tax losses</b>	<b>Hedging reserve</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2010	7,878	(4,457)	—	3,421
Charged to the combined income statement	<u>4,285</u>	<u>4,307</u>	<u>—</u>	<u>8,592</u>
At 31 March 2011 and 1 April 2011	12,163	(150)	—	12,013
Credited to other comprehensive income	—	—	(3,516)	(3,516)
Charged to the combined income statement	<u>4,234</u>	<u>150</u>	<u>—</u>	<u>4,384</u>
At 31 March 2012 and 1 April 2012	16,397	—	(3,516)	12,881
Charged to other comprehensive income	—	—	645	645
Charged to the combined income statement	<u>4,307</u>	<u>—</u>	<u>—</u>	<u>4,307</u>
At 31 March 2013	<u><u>20,704</u></u>	<u><u>—</u></u>	<u><u>(2,871)</u></u>	<u><u>17,833</u></u>
		<b>At 31 March</b>		
		<b>2011</b>	<b>2012</b>	<b>2013</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net deferred tax liabilities recognised on the combined balance sheets		<u><u>12,013</u></u>	<u><u>12,881</u></u>	<u><u>17,833</u></u>

- (d) There were no material unrecognised deferred tax assets as at 31 March 2011, 31 March 2012 and 31 March 2013.

## 9 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to cash flow hedges included in other comprehensive income:

	Year ended 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Pre-tax amount	—	(21,317)	3,916
Tax credit/(charge)	—	3,516	(645)
Net-of-tax amount	—	(17,801)	3,271

(b) Components of other comprehensive income, including reclassification adjustments

	Year ended 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Available-for-sale securities:			
Changes in fair value recognised during the year	—	(605)	760
Reclassification adjustments for amount transferred to profit or loss:			
— realisation on disposal	—	(110)	—
Net movement in the fair value reserve during the year recognised in other comprehensive income	—	(715)	760
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments recognised during the year	—	(21,317)	3,916
Net deferred tax credited/(charged) to other comprehensive income	—	3,516	(645)
Net movement in the hedging reserve during the year recognised in other comprehensive income	—	(17,801)	3,271

## 10 DIRECTORS' REMUNERATION

Details of directors' remuneration during the Relevant Periods are as follows:

Year ended 31 March 2011					
	Fees <i>HK\$'000</i>	Basic salaries, allowances and benefits in kind <i>HK\$'000</i>	Bonuses <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive Directors</i>					
Chan Hung Ming	—	1,350	2,428	12	3,790
Lau Chi Wah	—	1,350	2,428	12	3,790
Yuen Ying Wai	—	1,350	324	24	1,698
Kwan Wing Wo	—	857	276	12	1,145
<i>Independent non-executive Directors</i>					
Tsui Ka Wah	—	—	—	—	—
Kan Yau Wo	—	—	—	—	—
Mok Kwai Pui Bill	—	—	—	—	—
Lee Chung Yiu Johnny	—	—	—	—	—
Total	—	4,907	5,456	60	10,423

Year ended 31 March 2012					
	Fees <i>HK\$'000</i>	Basic salaries, allowances and benefits in kind <i>HK\$'000</i>	Bonuses <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive Directors</i>					
Chan Hung Ming	—	1,470	1,718	12	3,200
Lau Chi Wah	—	1,470	1,718	12	3,200
Yuen Ying Wai	—	1,470	240	24	1,734
Kwan Wing Wo	—	964	156	12	1,132
<i>Independent non-executive Directors</i>					
Tsui Ka Wah	—	—	—	—	—
Kan Yau Wo	—	—	—	—	—
Mok Kwai Pui Bill	—	—	—	—	—
Lee Chung Yiu Johnny	—	—	—	—	—
Total	—	5,374	3,832	60	9,266

## Year ended 31 March 2013

	Fees <i>HK\$'000</i>	Basic salaries, allowances and benefits <i>HK\$'000</i>	Bonuses <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive Directors</i>					
Chan Hung Ming	—	1,579	260	15	1,854
Lau Chi Wah	—	1,579	260	15	1,854
Yuen Ying Wai	—	1,632	260	15	1,907
Kwan Wing Wo	—	1,076	170	15	1,261
<i>Independent non-executive Directors</i>					
Tsui Ka Wah	—	—	—	—	—
Kan Yau Wo	—	—	—	—	—
Mok Kwai Pui Bill	—	—	—	—	—
Lee Chung Yiu Johnny	—	—	—	—	—
<b>Total</b>	<u>—</u>	<u>5,866</u>	<u>950</u>	<u>60</u>	<u>6,876</u>

*Notes:*

- (i) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods. No director waived or agreed to waive any emoluments during the Relevant Periods.
- (ii) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the Relevant Periods.



## 11 EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

## (a) Emoluments of five highest paid individuals

The five highest paid individuals of the Group during the Relevant Periods include 4, 4 and 4 directors for the years ended 31 March 2011, 2012 and 2013 respectively, whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the remaining individual is as follows:

	Year ended 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	738	821	876
Discretionary bonuses	240	132	144
Retirement scheme contributions	<u>12</u>	<u>12</u>	<u>15</u>
	<u>990</u>	<u>965</u>	<u>1,035</u>

The above individual's emoluments are within the following bands:

	Year ended 31 March		
	2011	2012	2013
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>
Nil to HK\$1,000,000	1	1	—
HK\$1,000,001 to HK\$1,500,000	<u>—</u>	<u>—</u>	<u>1</u>

## (b) Emoluments of senior management

Other than the emoluments of the directors and five highest paid individuals disclosed in notes 10 and 11(a), the emoluments of the remaining senior management whose profiles are provided in the section headed "Directors and senior management" fell within the following bands:

	Year ended 31 March		
	2011	2012	2013
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>
Nil to HK\$1,000,000	<u>2</u>	<u>2</u>	<u>2</u>

## 12 DIVIDENDS

No dividend was declared or paid by the Company during the Relevant Periods to its equity shareholders.

During the year ended 31 March 2011, a dividend of HK\$1,000,000 was declared, approved and paid to the former holding company, Grand Ming Holdings Limited by Wellford Properties Limited.

During the year ended 31 March 2012, a dividend of HK\$16,500,000 was declared, approved and paid to the former holding company, Grand Ming Holdings Limited by Grand Tech Construction Company Limited.

During the year ended 31 March 2013, a dividend of HK\$20,000,000 was declared, approved and paid to the former holding company, Grand Ming Holdings Limited by Grand Tech Construction Company Limited.

## 13 BASIC EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion for the purpose of this report is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on a combined basis as disclosed in note 1(b) of Section B.

## 14 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Construction contracts: this segment constructs residential buildings, shopping arcades, commercial buildings and data centres for external customers and for group companies.
- Property leasing: this segment leases data centres to generate rental income.

### (a) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, non-current and current assets with the exception of investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and other current and non-current liabilities attributable to the business activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to income generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for each of the years ended 31 March 2011, 2012 and 2013 is set out below.

*For the year ended 31 March 2011*

	<b>Construction contracts</b>	<b>Property leasing</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	349,780	108,181	457,961
Inter-segment revenue	<u>109,500</u>	<u>—</u>	<u>109,500</u>
<b>Reportable segment revenue</b>	<u>459,280</u>	<u>108,181</u>	<u>567,461</u>
<b>Reportable segment profit</b>	<u>8,757</u>	<u>79,849</u>	<u>88,606</u>
Interest income	55	—	55
Interest expense	—	(21,549)	(21,549)
Dividend income from unlisted securities	195	—	195
Depreciation for the year	(431)	(883)	(1,314)
Changes in fair value of investment properties	—	201,922	201,922
<b>Reportable segment assets</b>	<u>297,603</u>	<u>1,789,461</u>	<u>2,087,064</u>
<i>Additions to non-current segment assets during the year</i>	<u>245</u>	<u>48,131</u>	<u>48,376</u>
<b>Reportable segment liabilities</b>	<u>(254,738)</u>	<u>(746,024)</u>	<u>(1,000,762)</u>

For the year ended 31 March 2012

	<b>Construction contracts</b>	<b>Property leasing</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	926,844	131,218	1,058,062
Inter-segment revenue	12,215	—	12,215
<b>Reportable segment revenue</b>	<u>939,059</u>	<u>131,218</u>	<u>1,070,277</u>
<b>Reportable segment profit</b>	<u>17,264</u>	<u>94,212</u>	<u>111,476</u>
Interest income	245	—	245
Interest expense	—	(26,323)	(26,323)
Dividend income from unlisted securities	245	—	245
Depreciation for the year	(269)	(884)	(1,153)
Changes in fair value of investment properties	—	43,000	43,000
<b>Reportable segment assets</b>	<u>348,423</u>	<u>1,848,880</u>	<u>2,197,303</u>
<i>Additions to non-current segment assets during the year</i>	<u>18</u>	<u>—</u>	<u>18</u>
<b>Reportable segment liabilities</b>	<u>(315,891)</u>	<u>(719,583)</u>	<u>(1,035,474)</u>

For the year ended 31 March 2013

	<b>Construction contracts</b>	<b>Property leasing</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	640,112	133,588	773,700
Inter-segment revenue	—	—	—
<b>Reportable segment revenue</b>	<u>640,112</u>	<u>133,588</u>	<u>773,700</u>
<b>Reportable segment profit</b>	<u>35,344</u>	<u>93,749</u>	<u>129,093</u>
Interest income	354	—	354
Interest expense	—	(24,085)	(24,085)
Dividend income from unlisted securities	920	—	920
Depreciation for the year	(197)	(1,193)	(1,390)
Changes in fair value of investment properties	—	67,395	67,395
<b>Reportable segment assets</b>	<u>236,809</u>	<u>2,038,491</u>	<u>2,275,300</u>
<i>Additions to non-current segment assets during the year</i>	<u>—</u>	<u>124,648</u>	<u>124,648</u>
<b>Reportable segment liabilities</b>	<u>(319,655)</u>	<u>(649,269)</u>	<u>(968,924)</u>

(b) *Reconciliation of reportable segment revenue, profit or loss, assets and liabilities*

	<b>Year ended 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>			
Reportable segment revenue	567,461	1,070,277	773,700
Elimination of inter- segment revenue	<u>(109,500)</u>	<u>(12,215)</u>	<u>—</u>
Combined turnover	<u>457,961</u>	<u>1,058,062</u>	<u>773,700</u>
<b>Profit</b>			
Reportable segment profit derived from the Group's external customers	88,606	111,476	129,093
Other revenue and other net income	845	1,305	3,255
Depreciation	(1,314)	(1,153)	(1,390)
Finance costs	(21,549)	(26,323)	(24,085)
Changes in fair value of investment properties	201,922	43,000	67,395
Net unrealised (loss)/gain on financial derivative instruments	(3,020)	(8,477)	174
Unallocated head office and corporate expenses	<u>(8,599)</u>	<u>(6,399)</u>	<u>(8,483)</u>
Combined profit before taxation	<u>256,891</u>	<u>113,429</u>	<u>165,959</u>
<b>At 31 March</b>			
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>			
Reportable segment assets	2,087,064	2,197,303	2,275,300
Available-for-sale securities and other derivative financial instruments	15,462	14,291	15,045
Tax recoverable	721	264	—
Unallocated head office and corporate assets	<u>—</u>	<u>—</u>	<u>2,082</u>
Combined total assets	<u>2,103,247</u>	<u>2,211,858</u>	<u>2,292,427</u>
<b>Liabilities</b>			
Reportable segment liabilities	(1,000,762)	(1,035,474)	(968,924)
Tax payable	—	(6,111)	(5,996)
Deferred tax liabilities	(12,013)	(12,881)	(17,833)
Unallocated head office and corporate liabilities	<u>—</u>	<u>—</u>	<u>(9,270)</u>
Combined total liabilities	<u>(1,012,775)</u>	<u>(1,054,466)</u>	<u>(1,002,023)</u>

(c) *Geographic information*

No geographic information has been presented as all of the Group's operating activities are carried out in Hong Kong.

(d) *Information about major customers*

Revenue from customers of the corresponding years contributing over 10% of the total turnover of the Group is as follows:

	Year ended 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Customer A ( <i>note (i)</i> )	20,822	29,842	115
Customer B ( <i>note (i)</i> )	46,207	5,190	6,491
Customer C ( <i>note (i)</i> )	14,764	108,275	146,558
Customer D ( <i>note (i)</i> )	249,643	737,593	473,450
Customer E ( <i>note (ii)</i> )	<u>57,891</u>	<u>77,666</u>	<u>79,620</u>

*Note:*

- (i) Revenue from customers A, B, C and D is generated from provision of construction services.
- (ii) Revenue from customer E is generated from property leasing.

## 15 FIXED ASSETS

	<b>Investment properties</b>	<b>Furniture, fixtures and other fixed assets</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b><i>Cost or valuation:</i></b>			
At 1 April 2010	1,490,000	30,473	1,520,473
Additions	48,078	298	48,376
Surplus on revaluation	201,922	—	201,922
At 31 March 2011	<u>1,740,000</u>	<u>30,771</u>	<u>1,770,771</u>
<b><i>Representing:</i></b>			
Cost	—	30,771	30,771
Valuation	<u>1,740,000</u>	<u>—</u>	<u>1,740,000</u>
	<u>1,740,000</u>	<u>30,771</u>	<u>1,770,771</u>
<b><i>Accumulated depreciation:</i></b>			
At 1 April 2010	—	26,844	26,844
Charge for the year	—	1,314	1,314
At 31 March 2011	<u>—</u>	<u>28,158</u>	<u>28,158</u>
<b><i>Net book value:</i></b>			
At 31 March 2011	<u>1,740,000</u>	<u>2,613</u>	<u>1,742,613</u>

	<b>Investment properties</b>	<b>Furniture, fixtures and other fixed assets</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b><i>Cost or valuation:</i></b>			
At 1 April 2011	1,740,000	30,771	1,770,771
Additions	—	18	18
Written off	—	(10,059)	(10,059)
Surplus on revaluation	43,000	—	43,000
At 31 March 2012	<u>1,783,000</u>	<u>20,730</u>	<u>1,803,730</u>
<b><i>Representing:</i></b>			
Cost	—	20,730	20,730
Valuation	<u>1,783,000</u>	<u>—</u>	<u>1,783,000</u>
	<u>1,783,000</u>	<u>20,730</u>	<u>1,803,730</u>
<b><i>Accumulated depreciation:</i></b>			
At 1 April 2011	—	28,158	28,158
Charge for the year	—	1,153	1,153
Written off	—	(10,059)	(10,059)
At 31 March 2012	<u>—</u>	<u>19,252</u>	<u>19,252</u>
<b><i>Net book value:</i></b>			
At 31 March 2012	<u>1,783,000</u>	<u>1,478</u>	<u>1,784,478</u>



	Investment properties	Investment properties under development	Sub-total	Furniture, fixtures and other fixed assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation:</b>					
At 1 April 2012	1,783,000	—	1,783,000	20,730	1,803,730
Additions	—	123,605	123,605	1,043	124,648
Disposals	—	—	—	(256)	(256)
Written off	—	—	—	(11,840)	(11,840)
Surplus on revaluation	29,000	38,395	67,395	—	67,395
At 31 March 2013	1,812,000	162,000	1,974,000	9,677	1,983,677
<b>Representing:</b>					
Cost	—	—	—	9,677	9,677
Valuation	1,812,000	162,000	1,974,000	—	1,974,000
	<u>1,812,000</u>	<u>162,000</u>	<u>1,974,000</u>	<u>9,677</u>	<u>1,983,677</u>
<b>Accumulated depreciation:</b>					
At 1 April 2012	—	—	—	19,252	19,252
Charge for the year	—	—	—	1,390	1,390
Written back on disposals	—	—	—	(256)	(256)
Written off	—	—	—	(11,840)	(11,840)
At 31 March 2013	—	—	—	8,546	8,546
<b>Net book value:</b>					
At 31 March 2013	<u>1,812,000</u>	<u>162,000</u>	<u>1,974,000</u>	<u>1,131</u>	<u>1,975,131</u>

**Notes:**

- (i) All of the Group's investment properties and investment properties under development are situated in Hong Kong and held under medium-term leases.
- (ii) The Group's investment properties were revalued as at 31 March 2011, 2012 and 2013 by an independent firm of surveyors, Colliers International (Hong Kong) Limited ("Colliers"), who have among their staff Fellow of The Hong Kong Institute of Surveyors, with recent experience in the location and category of property being valued. The valuations were carried out by Colliers on a market value basis in their existing states on the basis of capitalisation of discounted cash flow projections based on estimates of future rental income using current market rentals and yields as inputs, and where appropriate on the basis of capitalisation of the net rental income allowing for revisionary income potential.

- (iii) The Group's investment properties under development were revalued as at 31 March 2013 by an independent firm of surveyors, Colliers, who have among their staff Fellow of The Hong Kong Institute of Surveyors, with recent experience in the location and category of property being valued. The valuation was carried out by Colliers using the direct comparison approach which is based on recent comparable market transactions with adjustments which take into account the date, location, size and site layout of the respective comparable market transactions.
- (iv) All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.
- (v) The Group's investment properties were pledged against the bank loans, details of which are set out in note 22.

## 16 OTHER FINANCIAL ASSETS

	At 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Available-for-sale securities, quoted but unlisted ( <i>note (i)</i> )	15,000	14,285	15,045
Derivative financial instruments ( <i>note 23</i> )	267	—	—
	<u>15,267</u>	<u>14,285</u>	<u>15,045</u>

*Notes:*

- (i) The available-for-sale securities were pledged as security for the bank loans granted to the Group.

## 17 TRADE AND OTHER RECEIVABLES

	At 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors ( <i>note (i)</i> )	145,464	196,239	135,950
Deposits, prepayments and other receivables ( <i>note (i)</i> )	7,107	7,533	8,858
Retentions receivable ( <i>note (ii)</i> )	42,491	74,032	41,698
Amounts due from the former holding company ( <i>note (iii)</i> )	18,399	1,236	—
Derivative financial instruments ( <i>note 23</i> )	195	6	—
	<u>213,656</u>	<u>279,046</u>	<u>186,506</u>

*Notes:*

- (i) Except for the amounts of HK\$24,804,000, HK\$29,721,000 and HK\$33,410,000 as at 31 March 2011, 31 March 2012 and 31 March 2013, respectively which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.

- (ii) Except for the amounts of HK\$27,148,000, HK\$31,228,000 and HK\$33,039,000 as at 31 March 2011, 31 March 2012 and 31 March 2013, respectively which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.
- (iii) The amounts are due from the former holding company, Grand Ming Holdings Limited, for the purpose of working capital financing. The amounts were unsecured, interest-free and were fully settled during the year ended 31 March 2013.
- (iv) None of the Group's trade debtors are considered to be impaired. Receivables which were neither overdue nor impaired related to a range of customers for whom there was no recent history of default. Receivables which were overdue but not impaired related to independent customers, which have a good track record of trading with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable.
- (v) Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

	At 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not yet due	97,686	186,497	126,148
Under 1 month overdue	47,072	8,068	8,824
More than 1 month overdue and up to 3 months overdue	706	1,674	902
More than 3 months overdue and up to 6 months overdue	—	—	49
More than 6 months overdue and up to 1 year overdue	—	—	27
	<u>145,464</u>	<u>196,239</u>	<u>135,950</u>

## 18 RESTRICTED AND PLEDGED DEPOSITS

	At 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Pledged deposits ( <i>note (i)</i> )	40,156	38,720	37,856
Restricted deposits ( <i>note (ii)</i> )	<u>6,064</u>	<u>6,064</u>	<u>6,064</u>
	<u>46,220</u>	<u>44,784</u>	<u>43,920</u>

### Notes:

- (i) The balances represent bank deposits pledged to secure banks loans of the Group (note 22).
- (ii) The balances represent security deposits placed in a bank according to the terms of the tenancy agreement entered into with a tenant by the Group. The Group has no absolute right and control over the bank balance as the usage of the bank balance is specifically restricted by the tenant under the tenancy agreement. The Group can deduct the balance upon the breach of the tenancy agreement by the tenant. If the Group makes a deduction from the deposit, the tenant shall make up the difference within 14 days of demand.

## 19 CASH AND CASH EQUIVALENTS

	At 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at banks and in hand	<u>16,749</u>	<u>76,761</u>	<u>55,467</u>

## 20 GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	At 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross amount due from customers for contract work			
Contract costs incurred plus recognised profits less recognised losses	1,247,019	483,805	232,950
Less: Progress billings received and receivable	<u>(1,178,998)</u>	<u>(471,565)</u>	<u>(216,592)</u>
	<u>68,021</u>	<u>12,240</u>	<u>16,358</u>
Gross amount due to customers for contract work			
Progress billings received and receivable	169,046	1,024,729	1,728,718
Less: Contract costs incurred plus recognised profits less recognised losses	<u>(158,276)</u>	<u>(1,004,261)</u>	<u>(1,694,971)</u>
	<u>10,770</u>	<u>20,468</u>	<u>33,747</u>

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

## 21 TRADE AND OTHER PAYABLES

	At 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Creditors and accrued charges	89,875	199,692	37,106
Rental and other deposits ( <i>note (ii)</i> )	6,064	6,064	6,064
Receipts in advance	10,966	8,075	—
Retentions payable ( <i>note (iii)</i> )	35,833	60,158	35,962
Amounts due to the former holding company ( <i>note (iv)</i> )	5,346	10,238	8,450
Amounts due to a shareholder ( <i>note (v)</i> )	1,362	—	—
	<u>149,446</u>	<u>284,227</u>	<u>87,582</u>

*Notes:*

- (i) Except as disclosed in notes 21(ii) to (iii) below, all of the trade and other payables are expected to be settled within one year.
- (ii) Rental and other deposits are expected to be settled after more than one year.
- (iii) Except for the amounts of HK\$24,142,000, HK\$26,022,000 and HK\$24,176,000 as at 31 March 2011, 31 March 2012 and 31 March 2013 respectively, all of the remaining balances are expected to be settled within one year.
- (iv) The amounts due to the former holding company are unsecured, interest-free and repayable on demand.
- (v) The amounts due to a shareholder were unsecured, interest-free and repayable on demand.
- (vi) Included in trade and other payables are trade creditors with the following ageing analysis at the balance sheet date:

	At 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Due within 1 month or on demand	61,356	130,828	6,843
Due after 1 month but within 3 months	11,137	56,255	10,472
	<u>72,493</u>	<u>187,083</u>	<u>17,315</u>

## 22 BANK LOANS

	At 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Bank loans			
— secured	825,895	697,416	828,141
— unsecured	11,169	543	—
	<u>837,064</u>	<u>697,959</u>	<u>828,141</u>

Bank loans are repayable as follows:

	At 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year and included in current liabilities	837,064	697,959	67,470
After 1 year and included in non-current liabilities:			
After 1 year but within 2 years	—	—	110,765
After 2 years but within 5 years	—	—	401,235
After 5 years	—	—	248,671
	—	—	760,671
	<u>837,064</u>	<u>697,959</u>	<u>828,141</u>

Notes:

- (i) The bank loans bear interest ranging from 2.05% to 6.00%, 2.11% to 6.00% and 2.25% to 6.00% per annum for each of the three years ended 31 March 2011, 2012 and 2013 respectively, and are secured by the following assets:

	At 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	1,740,000	1,783,000	1,812,000
Pledged deposits	40,156	38,720	37,856
Available-for-sale securities	15,000	14,285	15,045
Other assets	36,189	51,499	55,390
Total	<u>1,831,345</u>	<u>1,887,504</u>	<u>1,920,291</u>

- (ii) At the balance sheet dates, all rental and all moneys in relation to the investment properties of the Group were assigned to a bank in relation to a loan granted to the Group with initial principal amount of HK\$740,000,000 which will be repayable by instalments up to March 2020.
- (iii) At 31 March 2011, 2012 and 2013, all proceeds from certain construction projects were assigned to banks in relation to performance bonds and banking facilities granted to the Group with maximum amount of HK\$276,318,000, HK\$352,541,000 and HK\$352,561,000 respectively.

- (iv) The banking facilities of the Group were secured by the following:
- assignment of project insurance and fire insurance policies for certain construction contracts;
  - assignment of insurance, sales proceeds and renovation contracts and ancillary installation contracts in respect of the enhancement works over investment properties of the Group;
  - funding and completion undertakings executed by the former holding company;
  - Grand Tech Construction Company Limited and shareholders on a joint and several basis to fund all the unfunded cost overruns of the enhancement work over investment properties of the Group;
  - unlimited corporate guarantees from the former holding company;
  - subordination agreement incorporating assignment of loans executed by the former holding company;
  - share mortgage from the former holding company over the entire issued and paid-up share capital of Wellford Properties Limited;
  - unlimited personal guarantees from shareholders of the Group;
  - legal charges over the personal properties owned by shareholders of the Group; and
  - office units held by two related companies, namely Grand Tech Enterprise Company Limited and Grand Regal Holdings Limited. The pledges of these office units were released upon the termination of the respective banking facility during the year ended 31 March 2013.
- (v) As at 31 March 2011 and 31 March 2012, the Group had a long-term bank loan with carrying amount of approximately HK\$714,299,000 and HK\$666,533,000 respectively, which will be repayable by instalments up to March 2020. Such long-term bank loan was classified as a current liability as at 31 March 2011 and 31 March 2012 due to the fact that the corresponding loan agreement included a repayable on demand clause giving the bank an unconditional right to call the loan at any time notwithstanding any other terms and maturity as set out in the loan agreement. In September 2012, the Group obtained a letter of confirmation from the bank and the repayable on demand clause was removed entirely from the loan agreement. Accordingly, the non-current portion of the bank loan in the amount of HK\$560,971,000 was reclassified from current liabilities to non-current liabilities as at 31 March 2013.
- (vi) Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain balance sheet ratios as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 3(b).

As at 31 March 2011 and 31 March 2012, the Group failed to meet certain financial covenants in respect of certain short-term bank loans with carrying amounts of approximately HK\$77,139,000 and HK\$11,089,000 respectively. There was no breach of the financial covenants relating to these bank loans as at 31 March 2013.

Apart from the above, none of the covenants relating to drawn down facilities had been breached at the balance sheet dates. Although there were cross-default provisions in the facility letters of other bank loans which were in force during the period when the breaches occurred, the Group had repaid all of these bank loans as at 31 May 2013.

## 23 DERIVATIVE FINANCIAL INSTRUMENTS

	At 31 March 2011		At 31 March 2012		At 31 March 2013	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash flow hedges: interest rate swaps	—	—	—	(24,159)	—	(21,296)
Interest rate swaps	267	(3,482)	—	(8,661)	—	(7,428)
Foreign exchange forward contracts	195	—	6	—	—	—
	<u>462</u>	<u>(3,482)</u>	<u>6</u>	<u>(32,820)</u>	<u>—</u>	<u>(28,724)</u>
Representing:						
Current ( <i>note 17</i> )	195	—	6	—	—	—
Non-current ( <i>note 16</i> )	<u>267</u>	<u>(3,482)</u>	<u>—</u>	<u>(32,820)</u>	<u>—</u>	<u>(28,724)</u>
	<u>462</u>	<u>(3,482)</u>	<u>6</u>	<u>(32,820)</u>	<u>—</u>	<u>(28,724)</u>

- (a) The notional principal amounts of derivative financial instruments outstanding at the balance sheet date were as follows:

	At 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Interest rate swaps	916,000	868,000	1,020,000
Forward foreign exchange contracts	<u>5,038</u>	<u>1,163</u>	<u>—</u>
	<u>921,038</u>	<u>869,163</u>	<u>1,020,000</u>

- (b) Derivative financial assets represent the amounts the Group would receive whilst derivative financial liabilities represent the amounts the Group would pay if the positions were closed at the balance sheet dates. Derivative financial instruments that did not qualify for hedge accounting and their corresponding changes in fair values have been recognised in the profit or loss.

## 24 CAPITAL AND RESERVES

## (a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's combined equity is set out in the combined statement of changes in equity.

## (b) Share capital

The Company was incorporated on 14 August 2012 and the Reorganisation of the Group was completed on 19 July 2013. For the purpose of this report, share capital as at 31 March 2011 and 2012 represents the aggregate share capital of the subsidiaries of the Group which existed at the respective dates. As at 31 March 2013, share capital represents the aggregate share capital of the Company and its subsidiaries.



**(c) Nature and purpose of reserves****(i) Fair value reserve**

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policy set out in note 1(e).

**(ii) Hedging reserve**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy set out in note 1(g).

**(d) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its construction business and property investment projects, provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

**25 COMMITMENTS**

Capital commitments outstanding at each of the balance sheet dates not provided for in the Financial Information were as follows:

	<b>At 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted for	—	—	12,756
Authorised but not contracted for	—	—	545,646
	<u>—</u>	<u>—</u>	<u>558,402</u>

In November 2012, the Group entered into a sale and purchase agreement to acquire a piece of land located in Kwai Chung, Hong Kong for the development of a data centre building at a

consideration of HK\$118,000,000. The total development costs (including estimated land premium payable but excluding land costs as noted above) for the data centre building as approved by the board of directors are estimated to be HK\$564,007,000. At 31 March 2013, land and other costs of HK\$123,605,000 were paid for the acquisition of the piece of land.

## 26 SIGNIFICANT LEASING ARRANGEMENTS

### Lessor

The Group leases out a number of building facilities under operating leases. The leases typically run for an initial period of 5 to 20 years, with an option to renew the leases upon expiry at which time all terms are renegotiated. Further details of the carrying value of the properties are contained in note 15.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	102,651	106,495	111,161
After 1 year but within 5 years	408,371	395,781	420,182
After 5 years	<u>548,626</u>	<u>452,473</u>	<u>361,800</u>
	<u>1,059,648</u>	<u>954,749</u>	<u>893,143</u>

## 27 CONTINGENT LIABILITIES

	At 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to financial institutions for loan facilities granted to the former holding company	<u>6,831</u>	<u>6,288</u>	<u>5,734</u>

The guarantees given by the Group as at 31 March 2013 as set out above will be released upon listing.

## 28 MATERIAL RELATED PARTY TRANSACTIONS

Material related party transactions identified during the years and balances with these related parties at those dates are summarised as follows:

## (a) Non-recurring transactions

	Year ended 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Management fee paid to the former holding company	<u>1,017</u>	<u>—</u>	<u>—</u>

*Notes:*

- (i) Grand Ming Holdings Limited is the former holding company of Grand Tech Construction Company Limited and Wellford Properties Limited and is beneficially owned and controlled by the Controlling Shareholder.
- (ii) As at 31 March 2011, 31 March 2012 and 31 March 2013, indemnities were issued by the former holding company, Grand Ming Holdings Limited, to banks for certain performance bonds in respect of construction contracts undertaken by the Group.
- (iii) During the Relevant Periods, at the request of Wellford Properties Limited, Grand Ming Holdings Limited, entered into agreements (the "Original Agreements"), with an independent third party customer in connection with, among other things, the leasing of Group's investment properties owned by Wellford Properties Limited (the "Property"). Such arrangement was conducted pursuant to an agreement (the "Agreement") entered into between Grand Ming Holdings Limited and Wellford Properties Limited. According to the Agreement, Grand Ming Holdings Limited acts at the request of Wellford Properties Limited and is responsible for issuing invoices to and collecting rental and related income from such independent third party customer. No fee was charged by Grand Ming Holdings Limited to Wellford Properties Limited in respect of the provision of these services during the Relevant Periods. On 5 December 2012, Wellford Properties Limited entered into a deed of novation ("Deed of Novation") with such independent third party customer and Grand Ming Holdings Limited whereby Wellford Properties Limited agreed to assume all of Grand Ming Holdings Limited's rights and obligations under the Original Agreements and its subsequent amendment. Subsequent to the Deed of Novation becoming effective, the Agreement between Grand Ming Holdings Limited and Wellford Properties Limited ceased.
- (iv) On 25 April 2007 and 29 January 2010, Grand Ming Holdings Limited and Wellford Properties Limited entered into certain agreements with independent third party customers in connection with the leasing of the Property to those customers in which Grand Ming Holdings Limited acted as the guarantor to guarantee the due performance and observance by Wellford Properties Limited of its obligations under the above agreements.
- (v) During the Relevant Periods, Grand Tech Construction Company Limited and Wellford Properties Limited had inadvertently breached the regulatory requirements relating to filing of notifications with the Companies Registry within the prescribed time limit. Based on the legal advice obtained by the Group, the risk of imposing penalties by the Companies Registry of more than HK\$1,000,000 is low. Nevertheless, the Controlling Shareholder has given indemnity in favour of Grand Tech Construction Company Limited and Wellford Properties Limited in respect any liabilities which may arise from the above non-compliance.

- (vi) During the Relevant Periods, the Group had occupied the office units held by two related companies, namely Grand Tech Enterprise Company Limited and Grand Regal Holdings Limited. Both companies have waived their rights to recover the operating lease charges from the Group which had an approximate market value of HK\$1,308,000, HK\$1,380,000 and HK\$1,545,000 during the years ended 31 March 2011, 2012 and 2013 respectively. On 17 April 2013, the Group entered into tenancy agreements with the two related companies to lease the office units for three years at monthly rental charges of HK\$115,000 commencing on 1 April 2013.
- (vii) The directors of the Group are of opinion that the above transactions were entered into in the normal course of business.

**(b) Key management personnel**

- (i) Remuneration of key management personnel, including amounts paid to the directors are disclosed in note 10 and certain of the highest paid employees and senior management are disclosed in note 11.

	<b>Year ended 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term employee benefits	12,910	11,695	9,431
Post-employment benefits	<u>96</u>	<u>96</u>	<u>102</u>
	<u>13,006</u>	<u>11,791</u>	<u>9,533</u>

**(c) Balances with related parties**

As at the balance sheet dates, the Group had the following balances with related parties:

	<b>At 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Amounts due from the former holding company			
Grand Ming Holdings Limited	<u>18,399</u>	<u>1,236</u>	<u>—</u>
(ii) Amounts due to the former holding company			
Grand Ming Holdings Limited	<u>5,346</u>	<u>10,238</u>	<u>8,450</u>
(iii) Amounts due to a shareholder			
Mr. Chan Hung Ming	<u>1,362</u>	<u>—</u>	<u>—</u>

The balances with related parties as at 31 March 2013 as set out above will be settled before listing.

## 29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of this Financial Information, the HKICPA has issued a number of amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in the presentation of this Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS1, Presentation of financial statements	
— <i>Presentation of items of other comprehensive income</i>	1 July 2012
HKFRS 10, <i>Consolidated financial statements</i>	1 January 2013
HKFRS 12, <i>Disclosure of interests in other entities</i>	1 January 2013
HKFRS 13, <i>Fair value measurement</i>	1 January 2013
HKAS 27, <i>Separate financial statements (2011)</i>	1 January 2013
<i>Annual Improvements to HKFRSs 2009-2011 Cycle</i>	1 January 2013
Amendments to HKFRS 7, <i>Financial instruments: Disclosures</i>	
— <i>Disclosures — Offsetting financial assets and financial liabilities</i>	1 January 2013
Amendments to HKAS 32, <i>Financial instruments: Presentation — Offsetting financial assets and financial liabilities</i>	1 January 2014
HKFRS 9, <i>Financial instruments</i>	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

**30 FINANCIAL INFORMATION OF THE COMPANY**

The Company was incorporated on 14 August 2012 with authorised share capital of HK\$390,000 divided into 390,000 shares of HK\$1 each. 90 and 10 fully paid shares, each of HK\$1 ranking pari passu in all respects were allotted and issued to Chan HM Company Limited and Lau CW Company Limited respectively.

**The Company****Balance Sheet**

	At 31 March 2013 HK\$'000
<b>Current assets</b>	
Prepayments and other receivables	2,082
Cash and cash equivalents	—*
	<u>2,082</u>
	-----
<b>Current liabilities</b>	
Other payables	820
Amount due to a related company	8,450
Amount due to a subsidiary	1,295
	<u>10,565</u>
	-----
<b>NET LIABILITIES</b>	<u>(8,483)</u>
	-----
<b>CAPITAL AND RESERVE</b>	
Share capital	—*
Accumulated loss	(8,483)
	<u>(8,483)</u>
<b>TOTAL DEFICIT</b>	<u>(8,483)</u>
	-----

\* Each represents HK\$100

**31 INFORMATION OF STATUTORY FINANCIAL STATEMENTS OF THE SUBSIDIARIES**

The statutory financial statements of the companies now comprising the Group, which were subject to audit during the Relevant Periods, were prepared in accordance with HKFRSs. The respective statutory auditors of these financial statements are indicated below:

<b>Name of company</b>	<b>Financial period</b>	<b>Statutory auditors</b>
Grand Tech	For the years ended 31 March 2013 and 2012	KPMG
Construction Company Limited	For the year ended 31 March 2011	Lam & Chui CPA Limited
Wellford Properties Limited	For the years ended 31 March 2013 and 2012 For the year ended 31 March 2011	KPMG Lam & Chui CPA Limited
Winning Tech Limited	For the period ended 31 March 2013	KPMG

**32 SUBSEQUENT EVENTS****(a) Group reorganisation**

On 19 July 2013, the Group completed the Reorganisation in preparation for a listing of shares of the Company on the Stock Exchange, details of which are set out in the section headed "Statutory and General Information" in Appendix V to this prospectus.

- (b) Pursuant to the written resolution of the shareholders of the Company passed on 23 July 2013, the Company has conditionally adopted Share Award Plan and Share Option Scheme. The principal terms of Share Award Plan and Share Option Scheme are set out in "Share Award Plan" and "Share Option Scheme" of Appendix V "Statutory and General Information" to this prospectus, respectively.

**C SUBSEQUENT FINANCIAL INFORMATION**

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 2013.

Yours faithfully,  
**KPMG**  
*Certified Public Accountants*  
Hong Kong

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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*For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set forth below.*

*The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, 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" in this Prospectus and the Accountants' Report set forth in Appendix I to this Prospectus.*

### A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set forth herein to illustrate the effect of the Share Offer on our combined net tangible assets as of 31 March 2013 as if the Share Offer had taken place on 31 March 2013.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our financial position following the Share Offer. It is prepared based on our combined net assets as of 31 March 2013 as derived from our combined financial information set forth in the Accountants' Report in Appendix I, and adjusted as described below.

	<b>Combined net tangible assets attributable to equity shareholders of our Company as at 31 March 2013<sup>(1)</sup> HK\$'000</b>	<b>Estimated net proceeds from the Share Offer<sup>(2)</sup> HK\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets HK\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets per Share<sup>(3)</sup> HK\$</b>
Based on an Offer Price of HK\$0.90 per share	1,290,404	71,006	1,361,410	3.40
Based on an Offer Price of HK\$1.11 per share	<u>1,290,404</u>	<u>91,376</u>	<u>1,381,780</u>	<u>3.45</u>

*Notes:*

- (1) The combined net tangible assets of our Group as at 31 March 2013 is compiled based on the combined financial information included in the Accountants' Report as set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$0.90 per Offer Share or HK\$1.11 per Offer Share, being the low or high end of the stated Offer Price range, after deduction of the underwriting fees and other listing-related expenses (excluding approximately HK\$8.3 million listing expenses which have been accounted for prior to 31 March 2013) payable by our Group.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 Shares were in issue immediately following the completion of the Share Offer. It does not take into account of any Shares that may be issued pursuant to the Issuing Mandate or the exercise of the Over-allotment Option, or any Shares which may be repurchased pursuant to the Repurchase Mandate.



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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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*The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group.*



### **INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

TO THE DIRECTORS OF GRAND MING GROUP HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Grand Ming Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 March 2013 and related notes as set out in Part A of Appendix II to the prospectus dated 30 July 2013 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Share Offer") on the Group's financial position as at 31 March 2013 as if the Share Offer had taken place at 31 March 2013. As part of this process, information about the Group's financial position as at 31 March 2013 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix I to the Prospectus.

#### **Directors' Responsibilities for the Pro Forma Financial Information**

The Directors are responsible for compiling the 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").

#### **Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 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

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the 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 purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular 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 events or transactions as at 31 March 2013 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 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 pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

**Opinion**

In our opinion:

- a) the 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

30 July 2013

*The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this prospectus received from Colliers International (Hong Kong) Limited, an independent valuer, in connection with its valuation as at 31 May 2013 of the property interests of the Group.*

Colliers International (Hong Kong) Limited MAIN 852 2828 9888  
**Valuation & Advisory Services** FAX 852 2107 6051  
Company Licence No: C-006052



Suite 5701 Central Plaza  
18 Harbour Road Wanchai  
Hong Kong

**The Board of Directors**

Grand Ming Group Holdings Limited  
19/F, Eastern Commercial Centre,  
395-399 Hennessy Road,  
Hong Kong

30 July 2013

DEAR SIR/MADAM,

**INSTRUCTIONS, PURPOSE AND DATE OF VALUATION**

We refer to your instructions for us to assess the market value the property interests of the properties (more particularly set out in the section entitled “Summary of Values” in the following pages and hereinafter referred to as “Property” or “Properties” as the case may be) in which Grand Ming Group Holdings Limited (the “Company”) and/or its subsidiaries and its associated companies (together referred to as the “Group”) have interests in Hong Kong. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the leasehold interests of the Properties as at 31 May 2013 (the “date of valuation”).

**BASIS OF VALUATION**

Our valuations have been undertaken on the basis of Market Value, which is defined in the HKIS Valuation Standards 2012 Edition as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

**PROPERTY CATEGORISATION**

The Properties held by the Group are categorised as follows:

- Group I — Property held by the Group for investment
- Group II — Property held by the Group for future development

**VALUATION METHODOLOGY**

In valuing the property interest in Group I (Property 1), we have used the Income Approach — Discounted Cash Flow Analysis. This approach is defined in the International Valuation Standards as a financial modelling technique based on explicit assumptions regarding the prospective cash flows from income generating properties. This analysis involves the projection of a series of periodic cash flows for an income generating property. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the rental income stream associated with the property.

In the case of income generating property, periodic cash flow is typically estimated as gross income less vacancy, operating expenses and other outgoings. The series of periodic net operating income, along with an estimate of the reversionary or terminal value anticipated at the end of the projection period, is then discounted at the discount rate, being a cost of capital or a rate of return used to convert a monetary sum, payable or receivable in the future, into present value.

We have undertaken a Discounted Cash Flow Analysis on an annual basis over a ten-year investment horizon. This analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property taking into account capital growth.

This Analysis has then been cross-checked by the Income Approach — Income Capitalisation. This Approach is a method of valuation whereby the existing rental incomes of all lettable units of the Property are capitalised at an appropriate rate to derive the market value of the Property.

In valuing the property interest in Group II (Property 2), we have used the Direct Comparison Approach by reference to comparable sales evidence as available in the relevant market. By analysing comparable sales which qualify as “arms-length” transactions between willing buyers and sellers, adjustments for relevant factors have been made when comparing such sales with the property.

**VALUATION STANDARDS**

The valuations have been carried out in accordance with The HKIS Valuation Standards 2012 Edition published by The Hong Kong Institute of Surveyors, the RICS Valuation — Professional Standards incorporating the International Valuation Standards (March 2012) published by the Royal Institution of Chartered Surveyors, and the Listing Rules of The Stock Exchange of Hong Kong.

**LAND TENURE AND TITLE INVESTIGATION**

In valuing the properties in Hong Kong the Government Leases of which expired before 30 June 1997, we have taken into account the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of People’s Republic of China on Question of Hong Kong as well as in the New Territories Leases (Extension) Ordinance under which such leases have been extended without premium until 30 June 2047 and that rents of 3% of the rateable value are charged per annum from the dates of extension.

We have not been provided with extracts from title documents relating to the Properties but have conducted searches at the Land Registry. We have not, however, been provided with the original documents to verify the ownership, nor to ascertain the existence of any amendments which may not appear on our searches. We do not accept any liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

### **SOURCES OF INFORMATION**

We have relied to a considerable extent on the information provided by the Company on such matters as tenancy schedules, statutory notices, easements, tenure, floor areas, building plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Company that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuations are reasonable.

### **SITE MEASUREMENT**

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the areas shown on the documents and plans provided to us are correct.

### **SITE INSPECTION**

Site inspections of the Properties were conducted during the period from 9 May 2012 and 23 March 2013 by Stella Ho, who is a Chartered Surveyor. The Properties were maintained in a reasonable conditions commensurate with their ages and uses and equipped with building services.

We have inspected the Properties. However, we have not carried out investigations to determine the suitability of ground conditions and services, etc. Our valuation has been prepared on the assumption that these aspects are satisfactory.

Moreover, no structural surveys have been undertaken, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the Properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the utility services.

### **VALUATION ASSUMPTIONS**

Our valuation have been made on the assumption that the Group sells the Properties on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, or any similar arrangements which would affect their values although they are subject to the existing tenancy agreements.

No allowances have been made in our valuation for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxes which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties is free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

This report and our valuations are for the use of the Company and the report is for the use only of the parties to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of these valuation.

We have made the following assumptions:

- All information on the Properties provided by the Group is correct.
- Proper ownership titles and relevant planning approvals of the Properties have been obtained, all payable land premiums, land use rights fees and other relevant fees have been fully settled and the Properties can be freely transferred, sub-let, mortgaged or otherwise disposed of.
- We have been provided with the tenancy schedules, and abstract of the Tenancy Agreement of Property 1 by the Company. We have not examined the lease documents for each specific tenancy and our assessment is based on the assumption that all leases are executed and are in accordance with the provisions stated in the tenancy schedules provided to us. Moreover, we assume that the tenancies are valid, binding and enforceable.
- Unless otherwise stated, we have not carried out any valuation on a redevelopment basis, nor the study of possible alternative options.
- No acquisition costs or disposal costs have been taken into account in the valuations.

## **CURRENCY**

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollars (HK\$).

Our Summary of Value and Valuation Certificate are attached hereto.

Yours faithfully,

For and on behalf of

**Colliers International (Hong Kong) Limited**

David Faulkner  
*BSc (Hons) FRICS FHKIS RPS(GP) MAE*  
Executive Director  
Valuation & Advisory Services — Asia

Stella Ho  
*MSc BSSc (Hons) MRICS MHKIS RPS(GP)*  
Director  
Valuation & Advisory Services

*Note:* David Faulkner is a Chartered Surveyor and has over 30 years' experience in the valuation of properties of this magnitude and nature, and over 25 years' experience in Hong Kong/China.

Stella Ho is a Chartered Surveyor and has over 12 years' experience in the valuation of properties of this magnitude and nature in Hong Kong/China.

## SUMMARY OF VALUE

## Group I — Property held by the Group for investment

No. Property	Market Value in existing state as at 31 May 2013 <i>HK\$</i>	Interests attributable to the Group	Market Value to the Group as at 31 May 2013 <i>HK\$</i>
1 iTech Tower, No. 28 Pak Tin Par Street, Tsuen Wan, New Territories, Hong Kong	1,812,000,000	100%	1,812,000,000
<b>Group I Sub-Total:</b>	<u>1,812,000,000</u>	<u>100%</u>	<u>1,812,000,000</u>

## Group II — Property held by the Group for future development

2 54-56 Ta Chuen Ping Street (Lot No. 326 in D.D. 444), Kwai Chung, New Territories, Hong Kong	162,000,000	100%	162,000,000
<b>Group II Sub-Total:</b>	<u>162,000,000</u>	<u>100%</u>	<u>162,000,000</u>
<b>Total:</b>	<u><u>1,974,000,000</u></u>	<u><u>100%</u></u>	<u><u>1,974,000,000</u></u>



## VALUATION CERTIFICATE

## Group I — Property held by the Group for investment

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2013
1 iTech Tower No. 28 Pak Tin Par Street, Tsuen Wan, New Territories, Hong Kong  (the “Property”)  D.D. 355 Lot 321; Section A of Tsun Wan Inland Lot No. 46.	<p>The Property is a data centre in Tsuen Wan comprising a 10-storey main building and an 8-storey ancillary plant building. The main building was completed in October 1975. Extensive alteration and addition work was carried out in the main building and was completed in 2008. The occupation permit of the plant building was issued in January 2009.</p> <p>The Property has a total gross floor area of approximately 17,649.106 sq.m. (189,975 sq.ft.).</p> <p>The site area of the Property is approximately 21,658 sq.ft..</p> <p>D.D. 355 Lot No. 321 is held under New Grant No. TW3670 for a term of 75 years from 1 July 1898 renewable for a further term of 24 years less the last 3 days thereof, and statutorily extended to 30 June 2047.</p> <p>Tsun Wan Inland Lot No. 46 is held under Condition of Sale No. UB5208 for a term of 75 years from 1 July 1898 (renewable for a further term of 24 years less the last 3 days thereof), and statutorily extended to 30 June 2047.</p> <p>The current Government Rent payable for the Property is HK\$1,440,000 per annum.</p>	<p>According to the information provided by the Company, the Property is subject to various tenancies for terms range from 5 to 20 years, with the latest expiry date on 31 October 2029. As at the date of valuation, the total monthly rental of the Property is approximately HK\$9,237,352, inclusive of management fee, government rates and rent.</p>	<p>HK\$1,812,000,000</p> <p>(100% attributable to the Group: HK\$1,812,000,000)</p>

*Notes:*

1. The registered owner of the Property is Wellford Properties Limited, a wholly-owned subsidiary of the Company.
2. The Property is subject to a mortgage in favour of Hang Seng Bank Limited dated 22 March 2010, registered vide Memorial No. 10041402790032.
3. The Property is subject to a second mortgage in favour of Hang Seng Bank Limited dated 27 February 2013, registered vide Memorial No. 13030702350210.
4. The Property is subject to a third mortgage in favour of Hang Seng Bank Limited dated 3 April 2013, registered vide Memorial No. 13041602580208.

5. Lot No. 321 in D.D.355 is subject to a Modification in favour of D.D.C., N.T. dated 22 June 1972, registered vide Memorial No. TW96139.
  
6. Lot No. 321 in D.D.355 are subject to three Temporary Waiver Letter with Plan dated 14 August 2008, 26 August 2009 and 21 September 2011, registered vide Memorial No. 08091600390025, 09092900830235 and 11093002230034.
  
7. The Property is zoned for “industrial” uses under the Tsuen Wan Outline Zoning Plan S/TW/30.

## Group II — Property held by the Group for future development

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 31 May 2013</b>
2	54-56 Ta Chuen Ping Street (Lot No. 326 in D.D. 444), Kwai Chung, New Territories, Hong Kong  (the “Property”)  D.D. 444 Lot 326	The Property comprises a parcel of land with a site area of approximately 10,340 sq.ft..  D.D. 444 Lot 326 is held under New Grant No. 4317 for the residue of a term of 99 years less the last three days thereof commencing from 1 July 1898, and had been statutorily extended to 30 June 2047.  The current Government Rent payable for the Property is HK\$86,760 per annum.	The Property is currently vacant.	HK\$162,000,000  (100% attributable to the Group: HK\$162,000,000)

*Notes:*

1. The registered owner of the Property is Winning Tech Limited, a wholly-owned subsidiary of the Company.
2. The Property is subject to a Modification Letter dated 6 January 1970, registered vide Memorial No. TW84227.
3. The Property is subject to a Modification Letter dated 9 July 1984, registered vide Memorial No. TW319652.
4. The Property is subject to a Letter of Compliance dated 17 February 1994, registered vide Memorial No. TW947722.
5. The Property is subject to a Temporary Waiver Letter with Plan dated 16 March 2011, registered vide Memorial No. 11041502190118. (Remarks: from District Lands Officer, Tsuen Wan and Kwai Tsing).
6. The Property is subject to a mortgage in favour of Hang Seng Bank Limited dated 3 April 2013, registered vide Memorial No. 13041602580192.
7. The Property is zoned as “Other Specified Uses (Business)” under the Kwai Chung Outline Zoning Plan No. S/KC/26.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 August, 2012 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

## **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## **2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on 23 July, 2013. The following is a summary of certain provisions of the Articles:

### **(a) Directors**

#### *(i) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and 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 the 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 the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (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 the Company shall be at the disposal of the 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 the Company nor the 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any 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 the Director is contractually entitled) must be approved by the 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.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the 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 of, or otherwise interested in, any company promoted by the Company or any other company in which the

Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has 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 contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
  
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only 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 held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the 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 the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any 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 ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.



The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the 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;
- (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.

The board may from time to time 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 the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time 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, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Note:* These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think 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 an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of 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 thirty (30) days of any change in such directors or officers.

**(b) Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue 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 will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The 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) Special resolution-majority required**

Pursuant to the Articles, a special resolution of the 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, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

**(f) Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding

of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

**(h) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the 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 accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall 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 the 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 ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that 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 and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

**(j) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, 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 in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse 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 incentive scheme for employees 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 the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the 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).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

**(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

**(m) Dividends and other methods of distribution**

Subject to the Companies Law, the 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 the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

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 but 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 according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.



Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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 the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest 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, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the 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 the Company or at a class meeting. A proxy need not be a member of the 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(o) Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls 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). A call may be made payable either in one lump sum or by installments. 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 twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The 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 monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating 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 the 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, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(p) Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any

other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

**(q) 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, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles 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.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

**(s) Procedures on liquidation**

A resolution that the 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 the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, 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 the 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, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority 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 the 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. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (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 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

**(u) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANIES LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The 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**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 arrangement 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 (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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 business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), 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, by special resolution reduce its share capital in any way.

The Articles includes 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**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, 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 shareholder and the Companies Law expressly provides that 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. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not

be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, 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.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association 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 section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as 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 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 paragraph 2(m) above for further details).

**(f) Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner

has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and



- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 28 August, 2012.

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 the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company will 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.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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 members, 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 (2009 Revision) of the Cayman Islands.

(n) **Winding up**

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, 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 the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised 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. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up 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. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

**(o) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(p) Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

**(q) 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, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands companies 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 VI. 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.

**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 14 August 2012.

We have been registered in Hong Kong under Part XI of the Hong Kong Companies Ordinance as a non-Hong Kong company and our principal place of business in Hong Kong is at 19/F., Eastern Commercial Centre, No. 395-399, Hennessy Road, Hong Kong. In compliance with the requirements of the Companies Ordinance, Mr. Chan has been appointed as our agent for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

Our Company was incorporated in the Cayman Islands and is subject to Cayman Islands law. Its constitution comprises a memorandum of association and articles of association. A summary of certain relevant parts of its constitution and certain relevant aspects of Cayman Islands company law is set out in Appendix IV to this prospectus.

**2. Changes in share capital of our Company****(a) Increase in authorised share capital**

- (i) As at the date of incorporation of our Company on 14 August 2012, our authorised share capital was HK\$390,000 divided into 390,000 shares having a par value of HK\$1 each.
- (ii) On 23 July 2013, each issued and unissued share of a par value of HK\$1 in the capital of the Company was sub-divided into 100 Shares of a par value of HK\$0.01 each (the “Share Subdivision”). On 23 July 2013, the authorised share capital of our Company was increased from HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of an additional 9,961,000,000 Shares of HK\$0.01 each to rank pari passu in all respects with the existing Shares pursuant to a resolution passed by the Shareholders.
- (iii) Immediately following completion of the Share Offer and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and upon the exercise of the Over-allotment Option, the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 400,000,000 Shares will be issued fully paid or credited as fully paid, and 9,600,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraphs headed “Resolutions in writing of the Shareholders passed on 23 July 2013” and “Group reorganisation” of this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) *Founder shares*

Our Company has no founder shares, management shares or deferred shares.

**3. Resolutions in writing of the Shareholders passed on 23 July 2013**

Written resolutions were passed by the Shareholders on 23 July 2013 pursuant to which, among other matters:

- (a) the Company approved and adopted the Articles of Association conditional upon and with effect from the listing of the Shares on the Stock Exchange on the Listing Date;
- (b) the Share Subdivision was approved and the authorised share capital of our Company was increased from HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of an additional 9,961,000,000 Shares of HK\$0.01 each to rank *pari passu* in all respects with the existing Shares;
- (c) conditional on (aa) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd) 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 day falling 30 days after the date of this prospectus:
  - (i) the Share Offer and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;
  - (ii) (a) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 14 of this appendix, were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at the Directors’ absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or

expedient to implement the Share Option Scheme; (b) the rules of the Share Award Plan, the principal terms of which are set out in paragraph 15 of this appendix, were approved and adopted, and the Directors were authorised to take all such steps as may be necessary or desirable to implement the Share Award Plan;

- (iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, the Directors were authorised to capitalise HK\$2,999,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,990,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on 23 July 2013 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares and the Directors were authorised to give effect to such capitalisation;
- (iv) a general unconditional mandate (the “**Issuing Mandate**”) was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under the Share Award Plan or under the Share Offer or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Companies Law or any other applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of our Company to purchase or repurchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option until the conclusion of the next annual general meeting of our Company, or the date by which

the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

- (vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.
  
- (d) our Company approved the form and substance of each of the service agreements made between our executive Directors and us, and the form and substance of each of the appointment letters made between each of our independent non-executive Directors with us.

#### **4. Group reorganisation**

The companies comprising our Group underwent a reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange. For more details regarding the Reorganisation, please refer to the paragraph headed "Reorganisation" of the section "History, Development and Reorganisation" in this prospectus.

#### **5. Changes in share capital of subsidiaries**

The subsidiaries of our Company are listed in the Accountants' Report set out in Appendix I to this prospectus.

Save as disclosed herein and in paragraph 4 of this appendix to this prospectus and the paragraph headed "Reorganisation" of the section "History, Development and Reorganisation", no other alterations in the share capital of each of our Company's subsidiaries took place within the two years immediately preceding the date of this prospectus.



**6. Further information about our Group's Hong Kong establishment**

Our Group has interest in the issued share capital of various Hong Kong subsidiaries. A summary of the corporate information of such Hong Kong subsidiaries as at the Latest Practicable Date is set out as follows:

**Grand Tech Construction**

Name of the company:	Grand Tech Construction Company Limited 佳盛建築有限公司
Registered address:	19/F, Eastern Commercial Centre, 395-399 Hennessy Road, Hong Kong
Date of its establishment:	31 August 1995
Nature of company:	Private company
General nature of business:	Construction
Issued share capital:	HK\$5,000,000
Registered owner:	BVI (Grand Tech Construction)
Attributable interest to our Group:	100%

**Wellford Properties**

Name of the company:	Wellford Properties Limited 偉豐置業有限公司
Registered address:	19/F, Eastern Commercial Centre, 395-399 Hennessy Road, Hong Kong
Date of its establishment:	7 March 2006
Nature of company:	Private company
General nature of business:	Property investment
Issued share capital:	HK\$100
Registered owner:	BVI (Wellford Properties)
Attributable interest to our Group:	100%

**Winning Tech**

Name of the company:	Winning Tech Limited 煒創有限公司
Registered address:	19/F, Eastern Commercial Centre, 395-399 Hennessy Road, Hong Kong
Date of its establishment:	19 October 2012
Nature of company:	Private company
General nature of business:	Property investment
Issued share capital:	HK\$1
Registered owner:	BVI (Wellford Properties)
Attributable interest to our Group:	100%

## 7. Securities repurchase mandate

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

### (a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholder, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution in writing passed by the Shareholders on 23 July 2013, the Repurchase Mandate was given to the Directors authorising any repurchase by our Company of Shares 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 of Hong Kong and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

### (b) *Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Companies Law. A listed company may not repurchase its own securities 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. Under the Cayman Islands laws, any repurchases by our Company may be made out of profits of our Company, share premium account of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of either or both of the profits of our Company or the share premium account of our Company or, if authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interest of our Company and the Shareholders for the Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) *Impact of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the Listing, would result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) *General*

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

The 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, the Articles of Association and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of our Company and may become obliged under Rule 26 of the Takeovers Code to make a mandatory offer unless a whitewash waiver is obtained. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The 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 connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

## **FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY**

### **8. 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) Instrument of transfer and bought and sold notes all dated 19 July 2013 between Grand Ming Holdings and BVI (Wellford Properties), pursuant to which BVI (Wellford Properties) acquired 100 shares in Wellford Properties from Grand Ming Holdings at par value of HK\$1 per share;
- (b) Instrument of transfer and bought and sold notes all dated 17 July 2013 between Grand Ming Holdings and BVI (Grand Tech Construction), pursuant to which BVI (Grand Tech Construction) acquired 4,999,995 shares in Grand Tech Construction from Grand Ming Holdings at par value of HK\$1 per share;
- (c) Instrument of transfer and bought and sold notes all dated 17 July 2013 between Mr. Lau and BVI (Grand Tech Construction), pursuant to which BVI (Grand Tech Construction) acquired 5 shares in Grand Tech Construction from Mr. Lau at par value of HK\$1 per share;
- (d) the Deed of Non-Competition;
- (e) the Deed of Indemnity; and
- (f) the Public Offer Underwriting Agreement.

## 9. Intellectual property rights of our Group







Set out below are the material intellectual property rights of our Group:

### (a) Trademarks

As at the Latest Practicable Date, we were the registered owner of the following material trademarks:

No.	Trademark	Place of registration	Classes	Registration number	Registration Date	Expiry Date
1.	(A) 	Hong Kong	36, 37, 42	302245996	9 May 2012	8 May 2022
	(B) 					
2.	(A) 	Hong Kong	36, 37, 42	302245987	9 May 2012	8 May 2022
	(B) 					
3.	(A) 	Hong Kong	36, 37, 42	302295540	26 June 2012	25 June 2022
	(B) 					

As at the Latest Practicable Date, our Group has applied for registration of the following material trademarks:

No.	Trademark	Place of Registration	Class	Application number	Date of Filing
1.		PRC	36	10900872	11 May 2012
2.		PRC	37	10900871	11 May 2012
3.		PRC	42	10900870	11 May 2012
4.		PRC	36	11116335	25 June 2012
5.		PRC	37	11116334	25 June 2012
6.		PRC	42	11116333	25 June 2012

(b) *Domain Names*

As at the Latest Practicable Date, our Group has the following registered domain names:

Domain Name	Name of Registrant	Date of expiry
grandming.com.hk	Grand Tech Construction	6 May 2016
itechtower.com	Wellford Properties	11 April 2014

**10. Connected transactions and related party transactions**

Save as disclosed in the sections headed “Business” and “Relationship with Controlling Shareholders” and in Note 28 to Section B of the Accountants’ Report set out in Appendix I to the prospectus, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company has not engaged in any other material connected transactions or related party transactions.

**FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS****11. Directors****(a) Disclosure of interests of the Directors**

- (i) Each of Mr. Chan and Mr. Lau is interested in the Reorganisation and the transactions as contemplated under the material contracts as set out in the paragraph 8 of this appendix.
- (ii) Save as disclosed in this prospectus, none of the Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

**(b) Particulars of Directors’ service contracts***Executive Directors*

Each of the executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date until terminated by not less than three months’ notice in writing served by either party on the other. Each of the executive Directors is entitled to their respective basic salaries set out below.

The current basic annual salaries of the executive Directors payable under their service contracts are as follows:

<b>Name</b>	<b>Approximate annual salary (HK\$)</b>
Mr. Chan	1,638,000
Mr. Lau	1,638,000
Mr. Yuen Ying Wai	1,638,000
Mr. Kwan Wing Wo	1,200,000

*Independent non-executive Directors*

Each of the independent non-executive Directors has been appointed for an initial term of three years commencing from the Listing Date until terminated by either party giving not less than three months’ written notice to the other expiring at the end of the initial term of their appointment or any time thereafter. The appointments are subject to the provisions of the Articles of Association with

regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of the independent non-executive Directors is entitled to a director's fee of HK\$240,000 per annum. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) *Directors' remuneration*

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to the Directors in respect of the three years ended 31 March 2011, 2012 and 2013 were approximately HK\$10,423,000, HK\$9,266,000 and HK\$6,876,000, respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonuses) payable by our Group to and benefits in kind receivable by the Directors (including the independent non-executive Directors in their respective capacity as Directors) for the year ending 31 March 2014 are expected to be approximately HK\$6,830,000.
- (iii) None of the Directors or any past directors of any member of our Group has been paid any sum of money for the years ended 31 March 2013 (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to any emoluments for the three years ended 31 March 2013.

(d) *Interests and short positions of Directors in the shares, underlying shares or debentures of our Company and our associated corporations*

Immediately following completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the interests and short positions of the Directors in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which 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 interests and short positions in which they are 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 to notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

### Our Company

Name of Director	Name of Group member/ associated corporation	Nature of interest	Number and class of securities (Note 1)	Approximate percentage of interest in our Company/ associated corporation
Mr. Chan (Note 2)	Our Company	Interest of a controlled corporation	270,000,000 Shares (L)	67.5%
	BVI (CHAN)	Beneficial owner	1 Share (L)	100%
Mr. Lau (Note 3)	Our Company	Interest of a controlled corporation	30,000,000 Shares (L)	7.5%

#### Notes:

1. The letter “L” denotes the Directors’ long position in the shares of our Company or the relevant associated corporation.
2. The disclosed interest represents the interest in our Company held by BVI (CHAN) which is wholly-owned by Mr. Chan. Therefore, Mr. Chan is deemed to be interested in BVI (CHAN)’s interest in our Company by virtue of the SFO.
3. The disclosed interest represents the interest in our Company held by BVI (LAU) which is wholly-owned by Mr. Lau. Therefore, Mr. Lau is deemed to be interested in BVI (LAU)’s interest in our Company by virtue of the SFO.

## 12. Interest discloseable under the SFO and substantial shareholders

So far as is known to the Directors, immediately following completion of the Share Offer and the Capitalisation Issue (but without taking account of any Shares which may be taken up or acquired under the Share Offer and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), other than a Director or chief executive of our Company whose interests are disclosed under the paragraph headed “Interests and short positions of Directors in the shares, underlying shares or debentures of our Company and our associated corporations” of this section, the following persons will have an interest

or a short position in the 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:

Name of Shareholder	Capacity/Nature of interest	Number and class of securities (Note 1)	Approximate percentage of interest in our Company
BVI (CHAN)	Beneficial owner	270,000,000 Shares (L)	67.5%
BVI (LAU)	Beneficial owner	270,000,000 Shares (L)	7.5%
Ms. Cheung Shuk Fong (張淑芳) (Note 2)	Family	30,000,000 Shares (L)	7.5%

Notes:

1. The letter “L” denotes the person’s long position in the shares of our Company or the relevant Group member.
2. Ms. Cheung Shuk Fong, the spouse of Mr. Lau, is deemed to be interested in Mr. Lau’s interest in our Company by virtue of the SFO.

### 13. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Share Offer or upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Share Offer and the Capitalisation Issue will have an interest or a short position in the Shares and 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, either directly or indirectly, be 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;
- (b) none of the Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which 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 interests and short positions which any of them is 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 to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

- (c) none of the Directors nor any of the parties listed in the paragraph 22 below has been interested in the promotion of, or has any direct or indirect interest 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 our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (d) none of the Directors nor any of the parties listed in the paragraph 22 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group; and
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph 22 below:
  - (i) is interested legally or beneficially in any securities of any member of our Group; or
  - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

## OTHER INFORMATION

### 14. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the Shareholders of our Company passed on 23 July 2013.

(a) *Purpose*

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

**(b) *Who may join***

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons (“Eligible Participants”):

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Group, the assessment criteria of which are:
  - (aa) contribution to the development and performance of our Group;
  - (bb) quality of work performed for our Group;
  - (cc) initiative and commitment in performing his/her duties; and
  - (dd) length of service or contribution to our Group.

**(c) *Acceptance of an offer of options***

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of our Company of HK\$1 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date, being 40,000,000 Shares (the “Scheme Limit”), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue (the “New Scheme Limit”) as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the 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 at any time shall not exceed 30% of the Shares in issue from time to time (the “Maximum Limit”). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalisation issue, rights issue, consolidation, sub-division of shares or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of our Company but subsequently cancelled (the “Cancelled Shares”) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders’ approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among other things:
  - (aa) the Eligible Participant’s name, address and occupation;
  - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
  - (cc) the date upon which an offer for an option must be accepted;
  - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
  - (ee) the number of Shares in respect of which the option is offered;
  - (ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;
  - (gg) the date of the notice given by the grantee in respect of the exercise of the option;
  - (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and

- (ii) such other terms and conditions (including, without limitation, any minimum period for which an option shall be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the Listing Rules.

(f) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) *Granting options to connected persons*

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant, such further grant of options will be subject to the approval of the independent non-executive Directors as referred to in this paragraph, the issue of a circular by our Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) ***Restrictions on the times of grant of Options***

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (such date to first be 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
- (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year, or quarterly or other interim period (whether or not required under the Listing Rules); and ending on the date of actual publication of the results announcement.

(i) ***Rights are personal to grantee***

An option is personal to the grantee. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) ***Time of exercise of option and duration of the Share Option Scheme***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of



ten years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Share Option Scheme by the shareholders of our Company (the “Adoption Date”). Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years from the Adoption Date.

(k) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) *Rights on ceasing employment/death*

If the grantee of an option ceases to be an Eligible Participant:

- (i) by any reason other than death, ill-health, injury, disability or termination of his relationship with our Company and/or any of its subsidiaries on one of more of the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month (or such longer period as the Board may determine) from such cessation which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse (or such longer period as our Company may determine); or
- (ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with our Company and/or any of its subsidiaries under paragraph (m) has occurred, the grantee or his personal representative(s) may exercise the option within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the Options in full (to the extent not already exercised).

(m) *Rights on dismissal*

If the grantee of an option ceases to be an Eligible Participant on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) *Rights on takeover*

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) *Rights on winding-up*

In the event that a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, the Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company referred to above 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 possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(p) *Rights on compromise or arrangement between our Company and our members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by 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 (such notice to be received by our Company no later than two Business Days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and 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 meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, 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 terminate. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* and shall have the same voting, dividend, transfer and other rights (including those arising on liquidation) as are attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(r) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) *Expiry of option*

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n) or (o);
- (iii) the date upon which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

- (v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or has been in breach of contract. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date upon which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) ***Alteration of the Share Option Scheme***

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted;

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme must still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) ***Cancellation of Options***

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (i).

(v) ***Termination of the Share Option Scheme***

Our Company may by resolution in general meeting or the Board may at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

**(w) *Administration of the Board***

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

**(x) *Conditions of the Share Option Scheme***

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Sole Lead Manager (for itself and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within 12 calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

**(y) *Disclosure in annual and interim reports***

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 40,000,000 Shares in total.

## 15. Share Award Plan

### (a) *Summary of terms*

The following is a summary of the principal terms of the Share Award Plan conditionally adopted by a resolution passed by the Shareholders on 23 July 2013:

#### (i) *Purposes of the plan*

The purpose of the Share Award Plan is to recognise and reward the contribution of certain selected participants to the growth and development of our Group, to give incentives thereto in order to retain them for the continual operation and development of our Group and to attract suitable personnel for further development of our Group through an award of Shares.

#### (ii) *Who may join*

The Share Award Plan shall be subject to the administration of the Board, or such committee or such sub-committee or person(s) delegated with the power and authority by the Board to administer the Plan. The Board shall, subject to and in accordance with the rules of the Share Award Plan, be entitled to make and award of Shares to any person belonging to any of the following classes of participants:

- (aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director, and including any person who has entered into an employment contract with us, provided that the commencement date of his tenure under the employment contract shall fall on a date before the vesting date and such employment contract shall remain valid and subsisting up to and including the vesting date, and provided further that, for the purpose of paragraph (xi) below, such person shall not be regarded as Eligible Employee if he dies before the commencement date of his tenure under the employment contract) of our Company, any of our subsidiaries or any entity (“Invested Entity”) in which any member of us holds an equity interest (“Eligible Employee”);
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of us or any Invested Entity;
- (dd) any customer of any member of us or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of us or any Invested Entity;

- (ff) any shareholder of any member of us or any Invested Entity or any holder of any securities issued by any member of us or any Invested Entity;
- (gg) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of us or any Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to our development and growth;

and, for the purposes of the Share Award Plan, the award may be made to any company wholly-owned by one or more of the above participants.

The eligibility of any of the above classes of participants to an award shall be determined by the Board from time to time on the basis of the Board's opinion as to his contribution and/or future contribution to the development and growth of our Group.

*(iii) Award of Shares and pool of awarded Shares*

The Board shall notify the Share Award Plan Trustee in writing upon the making of an award to an eligible participant (the "Selected Participant") under the Share Award Plan. Upon the receipt of such notice, the Share Award Plan Trustee shall set aside the appropriate number of awarded Shares pending the transfer and vesting of the same to the Selected Participant out of a pool of Shares comprising the following:

- (aa) such Shares as may be (1) transferred to the Share Award Plan Trustee (or Share Award Plan SPV, if so established and subsisting and authorised by the Share Award Plan Trustee) from any person (other than our Group) by way of gift, or (2) purchased by the Share Award Plan Trustee (or Share Award Plan SPV, if so established and subsisting and authorised by the Share Award Plan Trustee) by utilising the funds received by the Share Award Plan Trustee (or via Share Award Plan SPV, if so established and subsisting) by way of gift or for nominal consideration, but subject to the limitations set out in paragraph (v) below;
- (bb) such Shares as may be subscribed or purchased by the Share Award Plan Trustee (or Share Award Plan SPV, if so established and subsisting and authorised by the Share Award Plan Trustee) by utilising the funds allocated by the Board out of our resources ("Group Contribution"), but subject to the limitations set out in paragraph (v) below;
- (cc) such Shares as may be purchased by the Share Award plan Trustee (or Share Award Plan SPV, if so established and subsisting and authorised by the Share Award Plan Trustee) by utilising any surplus gift contribution, or as the case may be, the net proceeds of the sale of the relevant nil-paid rights, options or warrants allocated to it in respect of awarded Shares as described in paragraph (ix)(bb) below; and
- (dd) such Shares which remain unvested and revert to the Share Award Plan Trustee (or via Share Award Plan SPV, if so established and subsisting) in accordance with the rules of the Share Award Plan.

The making of an award to any connected person must be approved by a majority of the independent non-executive Directors at the relevant time. Our Company will comply with the applicable provisions of Chapter 14A of the Listing Rules when making awards to connected persons.

After an award is made, the Board shall notify the Selected Participant who may decline to accept such award by notifying us in writing within the prescribed period in accordance with the rules of the Share Award Plan. Unless so declined by the Selected Participant, the award shall be deemed irrevocably accepted by the Selected Participant.

*(iv) Subscription and purchase of Shares by the Share Award Plan Trustee*

(aa) The Share Award Plan Trustee (or Share Award Plan SPV, if so established and subsisting and delegated by the Share Award Plan Trustee) may purchase Shares on the Stock Exchange at the prevailing market price or off the market. In respect of off-market transactions, purchases shall not be made with any connected person, nor shall the purchase price be higher than the lower of the following: (1) the closing market price on the date of such purchase, and (2) the average closing market price for the five preceding trading days on which our Shares were traded on the Stock Exchange.

(bb) In the event that the Board considers it appropriate for the Share Award Plan Trustee to subscribe Shares by utilising the Group Contribution, the Share Award Plan Trustee shall, upon the instructions of the Board, apply to our Company for the allotment and issue of the appropriate number of new Shares at par or at such other subscription price as instructed by the Board. Prior Shareholders' approval is not required for the Directors to allot and issue new Shares under the Share Award Plan to the Share Award Plan Trustee provided that the Directors have sufficient unissued shares within the general mandate on hand, subject to the limitations set out in paragraph (v) below and any allotment and issue of Shares shall only be made after the Listing Committee of the Stock Exchange has granted the listing of and permission to deal in such Shares.

*(v) Maximum number of Shares to be subscribed and purchased*

At the beginning of each financial year of our Group, the Board shall (after having regard to all our relevant circumstances and affairs (including without limitation our business and financial performance during the preceding financial year, business plans and cashflow requirements)) determine the maximum amount of the Group Contribution to be allocated to the Share Award Plan Trustee (or via Share Award Plan SPV, if so established and subsisting and authorised by the Share Award Plan Trustee) during such financial year. Notwithstanding that there may be sufficient funds in the Group Contribution, the Board shall not instruct the Share Award Plan Trustee (or Share Award Plan SPV, if so established and subsisting and authorised by the Share Award Plan Trustee) to subscribe or purchase Shares exceeding the maximum number of Shares which could be subscribed or purchased by the Share Award Plan Trustee (or via SPV, if so established and subsisting and authorised by the Share Award Plan Trustee) as may be determined by the Board for that financial year, provided



that the maximum number of Shares which may be awarded for each financial year under the Share Award Plan shall not exceed 10% of the total number of Shares in issue at the beginning of such financial year. The Board may determine from time to time the maximum number of awarded Shares which may be provisionally awarded to any Selected Participant.

*(vi) Vesting of the awarded Shares*

Subject to the rules of the Share Award Plan, the legal and beneficial ownership of the relevant awarded Shares shall vest in the relevant Selected Participant within ten business days after the latest of:

- (aa) the date specified on the notice of the award given by the Board to the Share Award Plan Trustee (which shall not be earlier than the first business day immediately following the expiry of six months after the Listing Date); and
- (bb) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such Selected Participant as specified in the related notice of award have been attained and notified to the Share Award Plan Trustee by the Board in writing.

*(vii) Restrictions on the time of making awards, subscription, purchase and/or vesting*

- (aa) An award or, as the case may be, any instruction of the Board to the Share Award Plan Trustee (who will authorise Share Award Plan SPV, if so established and subsisting) to subscribe or acquire Shares may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in accordance with the Listing Rules. In particular, during the period preceding the publication of financial results in which our Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by us and up to the date of publication of the relevant financial results, no award may be made.
- (bb) The Board may not make an award to any of our Directors during the periods or times in which our Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by us.
- (cc) During the periods referred to in paragraphs (aa) and (bb) above, no purchases and/or vesting of Shares can be effected by the Share Award Plan Trustee.
- (dd) No award shall be made during the first six months after the Listing Date.

*(viii) Voting rights of the Shares in the Shares pool*

Neither the Share Award Plan Trustee nor Share Award Plan SPV (if so established and subsisting) shall exercise the voting rights in respect of the Shares held under trust, including but not limited to the Shares provisionally awarded under the Share Award Plan and Shares in the Shares pool. The Selected Participants shall not have any right to receive any awarded Shares set aside for them and all other distributions attributable thereto unless and until the Share Award Plan Trustee (via Share Award Plan SPV, if so established and subsisting) has transferred and vested the legal and beneficial ownership of such awarded Shares to and in the Selected Participants.

*(ix) Rights on distributions and equity offers*

During the vesting period of awards,

- (aa) any dividends and other distributions (“Other Distributions”) declared and made in respect of any awarded shares shall be held by the Share Award Plan Trustee or Share Award Plan SPV (if so established and subsisting) for the benefit of, and shall only be payable or transferrable to, the relevant Selected Participant when such awarded shares are vested in such Selected Participant in accordance with the terms of the Share Award Plan. Without prejudice to the above, with respect to any such dividends in connection with which our Company allows its Shareholders to elect to receive Shares in lieu of cash, then in respect of any awarded shares that have not been vested in the relevant Selected Participant, the Share Award Plan Trustee (after consulting the Board) shall have the right (in its absolute discretion) to determine whether it shall elect to receive Shares in lieu of cash or cash in respect of such dividends, and any such scrip dividend or cash dividend so elected and received by the Share Award Plan Trustee (or Share Award Plan SPV, if so established and subsisting) shall be treated as and constitute Other Distributions.
- (bb) if our Company offers to Shareholders new Shares or other securities for subscription by way of rights, options or warrants and no amount is required to be payable by the Shareholders for such rights, options or warrants, the Share Award Plan Trustee (or via Share Award Plan SPV, if so established and subsisting and authorised by the Share Award Plan Trustee) shall sell any nil-paid rights, options or warrants allocated to it in respect of the awarded Shares if there is any open market for such rights, options or warrants. The net proceeds of such sale (if so sold) shall be applied to purchase Shares for the Shares pool.
- (cc) if our Company offers to the Shareholders new Shares or other securities for subscription by way of rights, options, warrants or other open or preferential offer and consideration is required to be paid, the Share Award Plan Trustee shall (or via Share Award Plan SPV, if so established and subsisting and authorised by the Share Award Plan Trustee) decline to take up, purchase and/or subscribe for such rights, options, warrants or open or preferential offer.
- (dd) in case of a general or partial offer, whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner is made to all Shareholders (or all Shareholders other than the offeror, any persons controlled by the offeror and any

persons acting in association or concert with the offeror), and such offer becomes or is declared unconditional prior to the vesting of the awarded Shares in the relevant Selected Participants, the Board shall have the right in their absolute discretion to determine whether the Share Award Plan Trustee shall elect to accept such offer. If the offer is elected to be accepted, all proceeds paid or payable to the Share Award Plan Trustee (or Share Award Plan SPV, if so established and subsisting and authorised by the Share Award Plan Trustee) by reason of such acceptance shall be held by the Share Award Plan Trustee (via Share Award Plan SPV) for the benefit of the relevant Selected Participant and be payable to the relevant Selected Employee on the date of vesting of the awarded Shares. The Board shall be deemed to have directed the Share Award Plan Trustee not to accept such offer if no direction in writing is actually received by the Share Award Plan Trustee (or Share Award Plan SPV, if so established and subsisting and authorised by the Share Award Plan Trustee) within the prescribed period under the Share Award Plan.

(x) *Period of the Share Award Plan*

The Share Award Plan will remain in force for a period of 10 years commencing on the date on which the Share Award Plan is adopted.

(xi) *Rights on death or retirement*

(aa) In respect of a Selected Participant who is an Eligible Employee, at any time prior to the vesting date:

- (1) died; or
- (2) retired at his normal retirement date; or
- (3) retired at an earlier retirement date (with prior written agreement given by us or the Invested Entity),

all his awarded shares and the other distributions attributable thereto shall be deemed to be vested (a) on the day immediately prior to his death or retirement; or (b) on the day immediately after the six months after the Listing Date, whichever is the later.

(bb) In the event of the death of a Selected Participant who is an Eligible Employee, the Share Award Plan Trustee (or Share Award Plan SPV, if so established and subsisting) shall hold the vested awarded shares and the Other Distributions upon trust and to transfer the same to the personal representatives of the Selected Participant on and subject to the rules of the Share Award Plan. If such vested awarded shares and the Other Distributions would otherwise become *bona vacantia*, they shall be forfeited and cease to be transferrable.

(xii) *Lapse of awards*

In the event that any Selected Participant who is an Eligible Employee ceases to be an Eligible Employee by virtue of a corporate reorganisation of our Group or the Invested Entity, any award made to such Selected Participant shall forthwith lapse and be cancelled.

Save as provided in paragraph (xi)(aa) above, in the event:

- (aa) a Selected Participant who is an Eligible Employee ceases to be an Eligible Employee; or
- (bb) the subsidiary or Invested Entity by which a Selected Participant is employed as an Eligible Employee ceases to be a subsidiary of our Company (or of a member of us) or, as the case may be, that we cease to have any equity interest in that Invested Entity; or
- (cc) our Directors shall at their absolute discretion determine in respect of a Selected Participant (other than an Eligible Employee) that (a) the Selected Participant or his associate has committed any breach of any contract entered into between the Selected Participant or his associate on the one part and any member of us or any Invested Entity on the other part as our Directors may at their absolute discretion determine; or (b) the Selected Participant has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally or (c) the Selected Participant could no longer make any contribution to the growth and development of any member of us by reason of the cessation of its relations with us or by any other reason whatsoever; or
- (dd) an order for the winding-up of our Company is made or a resolution is passed for the voluntary winding-up of our Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of our Company pass to a successor company),

the award shall automatically lapse forthwith and all the awarded Shares and other distributions attributable thereto (other than cash distributions which shall be applied to purchase shares and, upon termination of the Plan, treated and dealt with as income of the trust fund) shall become returned Shares for the purposes of the Share Award Plan.

In the event (1) a Selected Participant is found to be resident in a place where an award and/or the vesting and transfer of awarded Shares is not permitted under the laws and regulations of such place or where in the view of the Board or the Share Award Plan Trustee (as the case may be) compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such person or (2) (subject to paragraph (xi)(aa)) a Selected Participant fails to return duly executed transfer documents prescribed by the Share Award Plan Trustee (or via Share Award Plan SPV, if so established and subsisting and authorized by the Share Award Plan Trustee) for the relevant awarded Shares and other distributions attributable thereto within the stipulated period, the relevant part of the award shall automatically lapse forthwith and the relevant awarded Shares and other distributions attributable thereto (other than cash distributions which shall be applied to purchase shares and, upon termination of the Plan, treated and dealt with as income of the trust fund) shall become returned Shares for the purposes of the Share Award Plan.

*(xiii) Selected Participant being a company wholly-owned by eligible participants*

If the Selected Participant is a company wholly-owned by one or more eligible participants:

- (aa) sub-paragraphs (xi) and (xii) shall apply to the Selected Participant and to the awards granted to such Selected Participant, mutatis mutandis, as if such awards had been granted to the relevant eligible participant, and such awards shall accordingly lapse or (deem to be) vest(ed) or forfeited after the event(s) referred to in sub-paragraphs (xi) and (xii) shall occur with respect to the relevant eligible participant; and
- (bb) the awards granted to the Selected Participant shall lapse and determine on the date the Selected Participant ceases to be wholly-owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such awards or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

*(xiv) Termination of the Share Award Plan*

The Plan shall terminate on the earlier of:

- (aa) the 10th anniversary date of the adoption date; and
- (bb) such date of early termination as determined by the Board, provided that such termination shall not affect any subsisting rights of any Selected Participant.

*(xv) Rights are personal to the Selected Participants*

An award shall be personal to the Selected Participant and shall not be transferable or assignable.

**(b) Present status of the Share Award Plan**

As of the Latest Practicable Date, no awards have been granted or agreed to be granted under the Share Award Plan, and the Share Award Plan Trustee for the administration of the Shares and other trust fund under the Share Award Plan has not yet been appointed.

As the Share Award Plan does not involve the grant of options over new Shares or other new securities of our Group, the Share Award Plan is not subject to the provisions of Chapter 17 of the Listing Rules.

**16. Estate duty, tax and other indemnity**

Each of the Controlling Shareholders (the “Indemnifiers”) has entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (e) referred to in paragraph 8 above) to provide indemnities, in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing;
- (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation;
- (c) any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties in connection with any failure, delay or defects of corporate or regulatory compliance or errors, discrepancies or missing documents in the statutory records of any member of our Group under, or any breach of any provision of, the Companies Ordinance or any other applicable laws, rules or regulations on or before the date on which the Share Offer becomes unconditional; and
- (d) all claims, payments, suits, damages, settlements payments and any associated costs and expenses which would be incurred or suffered directly or indirectly, from or on the basis of or in connection with the civil legal proceedings and non-compliance matters by any member of our Group as described in the paragraphs headed “Civil Legal Proceedings” and “Non-compliance matters of our Group during the Track Record Period and as of the Latest Practicable Date” of the section headed “Business” in this prospectus or in connection with any other non-compliance of any member of our Group which has occurred at any time on or before the Listing Date.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 March 2013;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 April 2013 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier, other than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; and
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in the prospectus; or
- (c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department, or any other relevant authority (whether in Hong Kong or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 March 2013 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifier's liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifier's liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, each of the Indemnifiers has also undertaken to us that it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

**17. Litigation**

As at the Latest Practicable Date, our Group was involved in a number of claims and litigation.

For particulars of each of the major outstanding claims against our Group as at the Latest Practicable Date, please refer to the paragraph headed “Particulars of outstanding civil claims and litigations against our Group as at the Latest Practicable Date” of the section headed “Business” in this prospectus.

**18. Preliminary expenses**

The preliminary expenses of our Company are estimated to be approximately HK\$55,000 and are payable by our Company.

**19. Promoters**

- (a) The promoters of our Company are Mr. Chan and Mr. Lau.
- (b) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter named in sub-paragraph (a) above in connection with the Share Offer or the related transactions described in this prospectus.

**20. Agency fees or commissions received**

The Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price in respect of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling concessions. In addition, we may, at our sole discretion, pay the Sole Bookrunner an additional incentive fee up to 1% of the aggregate gross proceeds of the Offer Shares under the Share Offer. The Sole Sponsor will also receive fees relating to the Share Offer.

**21. Application for listing of Shares**

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, being up to 10% of the Shares in issue on the Listing Date, on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.



**22. Qualifications of experts**

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

<b>Name</b>	<b>Qualification</b>
Cinda International Capital Limited	A licensed corporation for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified public accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Colliers International (Hong Kong) Limited	Property valuer
Mr. Jon K. H. Wong	A Barrister-at-law in Hong Kong
Joseph C.T. Lee & Co.	Legal advisers of our Company as to Hong Kong laws in respect of the non-compliance matters in relation to annual general meeting and accounts
Prudential Surveyors Int'l Limited	Surveyor

**23. Consents of experts**

Each of Cinda International Capital Limited, KPMG, Conyers Dill & Pearman (Cayman) Limited, Colliers International (Hong Kong) Limited, Mr. Jon K. H. Wong, Joseph C.T. Lee & Co. and Prudential Surveyors Int'l Limited has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, valuation, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

**24. Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

**25. 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. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *The Cayman Islands*

Under the present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(c) *Consultation with professional advisers*

Intending holders of 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 Shares or exercising any rights attaching to them. It is emphasised that none of our Company, the Directors or the other parties involved in the Share Offer can accept 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 or exercising any rights attaching to them.

**26. Miscellaneous**

(a) Save as disclosed herein:

(i) within two years preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

- (b) The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2013 (being the date to which the latest combined financial statements of our Group were made up).
  
- (c) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

**27. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the Application Forms, the written consents referred to under the subparagraph headed “Consents of experts” under the paragraph headed “Other information” of the section headed “Statutory and General Information” in Appendix V to this prospectus, and certified copies of the material contracts referred to in the sub-paragraph headed “Summary of material contracts” under the paragraph headed “Further information about the business of our Company” of the section headed “Statutory and General Information” in Appendix V to this prospectus.

**2. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Li & Partners at 22nd Floor, World-Wide House, Central, Hong Kong, during normal business hours from 9:00 a.m. up to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report from KPMG in respect of the historical financial information for the years ended 31 March 2011, 2012 and 2013, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group from KPMG, the text of which is set out in Appendix II to this prospectus;
- (d) the audited financial statements of the companies now comprising our Group under the statutory requirements for the years ended 31 March 2011, 2012 and 2013 (or for the period since their respective dates of incorporation where it is shorter), if any;
- (e) the letter, summary of valuations and valuation certificate prepared by Colliers International (Hong Kong) Limited, the text of which is set out in the section headed “Property Valuation” in Appendix III to this prospectus;
- (f) the Cayman Companies Law;
- (g) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;
- (h) the material contracts referred to in the sub-paragraph headed “Summary of material contracts” in the paragraph headed “Further information about the business of our Company” of the section headed “Statutory and General Information” in Appendix V to this prospectus;

- (i) the written consents referred to in the sub-paragraph headed “Consents of experts” under the paragraph headed “Other information” of the section headed “Statutory and General Information” in Appendix V to this prospectus;
- (j) the Share Award Plan;
- (k) the Share Option Scheme;
- (l) the service contracts referred to in the sub-paragraph headed “Directors” in the paragraph headed “Further information about Directors and Shareholders” of the section headed “Statutory and General Information” in Appendix V to this prospectus;
- (m) the Hong Kong legal opinion issued by Joseph C.T. Lee & Co. in respect of the annual general meeting and accounts related non-compliance matters;
- (n) the Hong Kong legal opinions issued by Mr. Jon K. H. Wong;
- (o) the advice letter issued by Prudential Surveyors Int’l Limited; and
- (p) the letter relating to rental of the properties leased from connected persons to the Group prepared by Colliers International (Hong Kong) Limited.



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