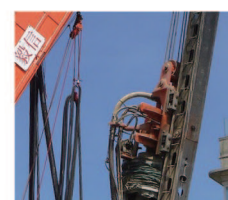


# Ngai Shun Holdings Limited 毅信控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1246

## PLACING AND PUBLIC OFFER



Sponsor

**AmCap**  
*Ample Capital Limited*  
豐盛融資有限公司

Bookrunner and Lead Manager

 **VC BROKERAGE LIMITED**  
滙盈證券有限公司

Co-Lead Managers

**AmCap**  
Ample Orient Capital Limited

 **ASTRUM**  
Astrum Capital Management Limited

# IMPORTANT

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

## Ngai Shun Holdings Limited

### 毅信控股有限公司

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

#### PLACING AND PUBLIC OFFER

**Number of Offer Shares : 100,000,000 Shares (subject to the Offer Size Adjustment Option)**  
**Number of Public Offer Shares : 10,000,000 Shares (subject to reallocation)**  
**Number of Placing Shares : 90,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)**  
**Offer Price : Not more than HK\$1.09 per Offer Share and expected to be not less than HK\$0.83 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**  
**Nominal value : HK\$0.01 per Share**  
**Stock code : 1246**

#### *Sponsor*

**AmCap**

*Ample Capital Limited*

豐盛融資有限公司

#### *Bookrunner and Lead Manager*



**VC BROKERAGE LIMITED**

滙盈證券有限公司

#### *Co-Lead Managers*

**AmCap**

Ample Orient Capital Limited



**ASTRUM**

Astrum Capital Management Limited

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 under "Appendix V — Documents delivered to the Registrar of Companies and available for inspection" to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between us and the Lead Manager (acting for itself and on behalf of the Underwriters) on or before 8:00 p.m. on Monday, 7 October 2013. The Offer Price will be not more than HK\$1.09 per Offer Share and is currently expected to be not less than HK\$0.83 per Offer Share, unless otherwise announced. Investors applying for Public Offer Shares must pay, on application, the maximum Offer Price of HK\$1.09 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.09 per Offer Share.

The Lead Manager (acting for itself and on behalf of the Underwriters) may, with our consent, reduce the number of the Offer Shares and/or the indicative Offer Price range 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, a notice of the reduction of the number of the Offer Shares and/or the indicative Offer Price range will be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese), not later than the morning of the last day for lodging applications under the Public Offer.

If, for any reason, the Offer Price is not agreed between us and the Lead Manager (acting for itself and on behalf of the Underwriters) on or before 5:00 p.m. on Tuesday, 8 October 2013, the Share Offer will not proceed and will lapse.

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

Pursuant to certain provisions contained in the Underwriting Agreements in respect of the Offer Shares, the Lead Manager (acting for itself and on behalf of the Underwriters) has the right in certain circumstances, in its absolute discretion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in the Shares first commence on the Stock Exchange. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

## EXPECTED TIMETABLE<sup>(1)</sup>

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement on the respective websites of the Company at [www.ngaishun.com.hk](http://www.ngaishun.com.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

**2013**

Latest time to complete electronic applications under the <b>HK eIPO White Form</b> service through the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a> <sup>(2)</sup> . . . . .	11:30 a.m. on Friday, 4 October
Application lists open <sup>(3)</sup> . . . . .	11:45 a.m. on Friday, 4 October
Latest time to lodge <b>WHITE</b> and <b>YELLOW</b> Application Forms and to give electronic application instruction to HKSCC . . . . .	12:00 noon on Friday, 4 October
Latest time to complete payment of <b>HK eIPO White Form</b> applications by effecting internet banking transfer(s) or PPS payment transfer(s). . . . .	12:00 noon on Friday, 4 October
Application lists close . . . . .	12:00 noon on Friday, 4 October
Expected Price Determination Date <sup>(4)</sup> . . . . .	Monday, 7 October
Announcement of the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer, the basis of allocation of the Public Offer Shares to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company at <a href="http://www.ngaishun.com.hk">www.ngaishun.com.hk</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on or before . . . . .	Tuesday, 15 October
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels (see the section headed "How to Apply for Public Offer Shares — 11. Publication of Results" in this prospectus) from . . . . .	Tuesday, 15 October
Results of allocations in the Public Offer will be available at <a href="http://www.tricor.com.hk/ipo/result">www.tricor.com.hk/ipo/result</a> with a "search by ID Number/Business Registration Number" function from . . . . .	Tuesday, 15 October
Despatch/Collection of share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before <sup>(5)(6)</sup> . . . . .	Tuesday, 15 October

## EXPECTED TIMETABLE<sup>(1)</sup>

2013

Despatch/Collection of refund cheques in respect of wholly or partially successful applications if the final offer price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before<sup>(5)</sup> . . . . . Tuesday, 15 October

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions and refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Public Offer on or before<sup>(5)</sup> . . . . . Tuesday, 15 October

Dealings in Shares on the Stock Exchange expected to commence on . . . . . Wednesday, 16 October

### Notes:

1. All times and dates refer to Hong Kong local times and dates unless otherwise stated.
2. You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment 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 money) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 4 October 2013, the application lists will not open on that day. For further information please refer to the section headed “How to Apply for Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
4. The Offer Price is expected to be determined by agreement between us and the Lead Manager (acting for itself and on behalf of the Underwriters) on or before 8:00 p.m. on Monday, 7 October 2013. The Offer Price will be not more than HK\$1.09 per Offer Share and is currently expected to be not less than HK\$0.83 per Offer Share, unless otherwise announced. Investors applying for Public Offer Shares must pay, on application, the maximum Offer Price of HK\$1.09 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.09 per Offer Share.

The Lead Manager (acting for itself and on behalf of the Underwriters) may, with our consent, reduce the number of the Offer Shares and/or the indicative Offer Price range 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, a notice of the reduction of the number of the Offer Shares and/or the indicative Offer Price range will be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese), not later than the morning of the last day for lodging applications under the Public Offer.

If, for any reason, the Offer Price is not agreed between us and the Lead Manager (acting for itself and on behalf of the Underwriters) on or before 5:00 p.m. on Tuesday, 8 October 2013, the Share Offer will not proceed and will lapse.

5. Applicants who apply with **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all information required by their Application Forms, they may collect their refund cheques and share certificates (as applicable) in person from our Hong Kong Share Registrar, 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 15 October, 2013. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Share Registrar.

## EXPECTED TIMETABLE<sup>(1)</sup>

Applicants who apply with **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all information required by their Application Forms, they may collect their refund cheques (where relevant) in person but may not collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in the section headed "How to Apply for Public Offer Shares — Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

6. Share certificates for the Offer Shares are expected to be issued on Tuesday, 15 October 2013 but will only become valid certificates of title provided that the Share Offer becomes unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date.

**Particulars of the structure of the Share Offer, including the conditions thereto, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.**

**Share certificates will only become valid certificates of title of the Shares to which they relate provided that the Share Offer has become unconditional in all respect and neither of the Underwriting Agreements has been terminated in accordance with its terms at any time prior to 8:00 a.m. on the Listing Date. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.**



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## IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by Ngai Shun Holdings Limited solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.*

*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 contained nor made in this prospectus or the Application Forms must not be relied on by you as having been authorised by us, the Sponsor, the Lead Manager, the Underwriters, any of our/their respective directors, officers, employees, agents or representatives or any other person or party involved in the Share Offer.*

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## SUMMARY

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

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out 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 principally engaged in the foundation business in Hong Kong as a foundation subcontractor. We had completed 51 foundation projects during the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, we have 14 foundation projects in progress and 5 foundation projects which are yet to commence, with a total subcontract sum of approximately HK\$742.4 million. Our projects in progress are expected to be completed during the period from September 2013 to September 2014. Further details of our foundation projects are set out in the section headed "Business — Construction works — Foundation projects" in this prospectus. According to the Ipsos Report, the revenue of our Group for the financial year ended 31 March 2013 represented around 1.8% of the total revenue generated from the whole foundation industry in Hong Kong in 2012. Our business is generally undertaken by our operating subsidiary, Ngai Shun, as a socketed H-piling specialist in various foundation projects.

The foundation works undertaken by us mainly include socketed H-piling, mini-piling and other relevant construction works such as soldier piles and king posts. We undertake foundation projects in both the public sector, including building and infrastructure related projects, and the private sector, which are mostly building related projects. Income from foundation works represented all of our revenues, which were derived in Hong Kong, for each of the three years ended 31 March 2011, 2012 and 2013 respectively. At times, we engage sub-subcontractors to perform a portion of the work under our contracts.

According to the Hong Kong Annual Digest of Statistics 2012 and the Hong Kong government's budgets 2013/2014, it is estimated that the Hong Kong's public expenditure on infrastructure will grow from approximately HK\$29.5 billion in 2008 to approximately HK\$76.1 billion in year 2013–14. In view of (i) the increasing public expenditure on infrastructure and our registration status with the Development Bureau and Buildings Department; and (ii) the current growth prospects for private development projects, our Directors expect there will be more opportunities for our foundation business in both public and private sectors and our revenue will grow steadily in future. Our revenues for the three years ended 31 March 2011, 2012 and 2013 were approximately HK\$205.0 million, HK\$249.6 million and HK\$356.1 million respectively, representing a CAGR of approximately 31.8%. During the Track Record Period, our five largest customers accounted for approximately 71.6%, 96.6% and 94.5% of our revenue, respectively; and our largest customer accounted for approximately 21.9%, 61.0% and 50.4% of our revenue, respectively.



## SUMMARY

The following table sets forth our revenue and cost of sales during the Track Record Period.

	Year ended 31 March					
	2011		2012		2013	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
<b>Revenue</b>						
Foundation works						
— Private sector	76,416	37.3%	189,310	75.8%	197,451	55.4%
— Public sector	<u>128,572</u>	<u>62.7%</u>	<u>60,276</u>	<u>24.2%</u>	<u>158,649</u>	<u>44.6%</u>
	<u><u>204,988</u></u>	<u><u>100.0%</u></u>	<u><u>249,586</u></u>	<u><u>100.0%</u></u>	<u><u>356,100</u></u>	<u><u>100.0%</u></u>

	Year ended 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cost of sales</b>			
Construction materials costs	87,163	91,655	95,073
Cement	16,961	17,936	24,050
Diesel fuel	18,954	20,746	19,511
Machinery spare parts	51,248	52,973	51,512
Sub-subcontracting charges	12,916	16,610	51,320
Staff costs	46,753	50,682	55,696
Machinery rental cost	16,376	13,727	20,657
Depreciation expenses for machinery	8,588	10,310	11,867
Transportation expenses	7,232	5,745	8,693
Repair and maintenance	3,347	3,225	3,355
Other	<u>1,452</u>	<u>1,221</u>	<u>2,166</u>
	<u><u>183,827</u></u>	<u><u>193,175</u></u>	<u><u>248,827</u></u>

### Revenue recognition

We recognise revenue from foundation works based on the stage of completion of the foundation projects. The stage of completion is established by reference to the amount of completed foundation works certified by our customers. The portion of total subcontract sum that is certified to be payable to us (based on the certified percentage of foundation works completed) is recognised as revenue of our Group in the period we exactly finish that portion of works. It normally takes less than 30 days for the customer progress certificates to be issued, and the certification date may not fall exactly on the end of our Group's reporting period. In this case, the value of works performed by our Group in a particular foundation project before the end of reporting period is recognised as our Group's revenue for that reporting period if such portion of works is properly certified subsequently even though the date of certification is after the end of reporting period. If there is any difference between the amount in our Group's interim invoice and our customer's progress certificate, it would be adjusted in the next reporting period. Our Directors consider that such differences for the years ended 31 March 2011, 2012 and 2013 were insignificant to our Group.

## SUMMARY

### **Construction material costs**

Our construction material costs, which are the main component of our cost of sales, accounted for approximately 47.4%, 47.4% and 38.2% of our cost of sales for the three years ended 31 March 2011, 2012 and 2013 respectively. To manage fluctuations in our major cost components, we will generally take into account various factors, including the site conditions, price of construction materials as quoted from our suppliers, human resources, programme of works, availability of machineries and other factors in preparing a quotation. We will consider the potential difficulty and risk factors in estimating the total cost of the foundation projects based on the experience of our Directors and project managers. We will then prepare our quotation based on our estimated project costs (which mainly include machinery usage cost, direct labour cost and construction material costs) plus a mark-up margin with reference to the historical construction fee we received for similar projects and the current construction fee level in the market at the time we submit our quotation.

### **Listing expense**

The total expenses for the Listing are estimated to be approximately HK\$16.1 million, of which approximately HK\$5.5 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\$10.6 million is to be charged to profit or loss of our Group. The listing expenses of approximately HK\$3.3 million were charged to the profit or loss of our Group for the year ended 31 March 2013, and approximately HK\$7.3 million are expected to be charged to the profit or loss of our Group for the year ending 31 March 2014.

### **Long-term supply contracts**

Our Group has entered into long-term supply contracts with our cement supplier and diesel fuel supplier. The key terms of the long-term supply contracts are set out in the section headed “Business — Project implementation — Procurement of materials and machinery” in this prospectus.

#### ***Effect of long-term supply contracts on gross profit margin for the year ended 31 March 2013***

Our Directors estimate that the construction materials costs would increase by around 10.1% from approximately HK\$95.1 million for the year ended 31 March 2013 to approximately HK\$104.7 million for the same financial year if our Group could not benefit from the discounts under the long-term supply contracts. Such increment of construction materials costs would reduce (i) our gross profit by around 9.0% from approximately HK\$107.3 million for the year ended 31 March 2013 to approximately HK\$97.6 million for the same financial year; and (ii) our gross profit margin by around 2.7 percentage points from approximately 30.1% for the year ended 31 March 2013 to approximately 27.4% for the same financial year.

#### ***Effect of long-term supply contracts on gross profit margin for the year ended 31 March 2012***

Our Directors estimate that the construction materials costs would increase by around 10.7% from approximately HK\$91.7 million for the year ended 31 March 2012 to approximately HK\$101.5 million for the same financial year if our Group could not benefit from the discounts under the long-term supply contracts. Such increment of construction materials costs would reduce (i) our gross profit by around 17.4% from approximately HK\$56.4 million for the year ended 31 March 2012 to approximately

## SUMMARY

HK\$46.6 million for the same financial year; and (ii) our gross profit margin by around 3.9 percentage points from approximately 22.6% for the year ended 31 March 2012 to approximately 18.7% for the same financial year.

### Major customers

The followings set out the profile of the five largest customers during the Track Record Period.

Name of customer	The financial year being our five largest customers	Approximate year of business relationships with our Group	Principal business	Public/private sector
Customer A	31 March 2011, 2012 and 2013	16 years	Contractor	Both
Customer B	31 March 2012 and 2013	16 years	Contractor	Both
Customer C	31 March 2011, 2012 and 2013	16 years	Contractor	Both
Customer D	31 March 2012 and 2013	2 years	Contractor	Public
Customer E	31 March 2012	16 years	Contractor	Private
Customer F	31 March 2011	3 years	Contractor	Public
Customer G	31 March 2011	7 years	Contractor	Both
Customer H	31 March 2011	3 years	Contractor	Public
Customer I	31 March 2013	1 year	Contractor	Public

*Notes:*

- (1) Customer A is a member of a Hong Kong listed company whose principal business activities include foundation piling, electrical and mechanical engineering and property development.
- (2) Customer B is specialised in foundation works and civil engineering works and is a subsidiary of a Hong Kong listed company.
- (3) Customer C is engaged in building construction, civil and foundation engineering works in Hong Kong and is a subsidiary of a Hong Kong listed company.
- (4) Customer D is a joint venture formed between two companies: a Japan listed civil engineering company and Customer C.
- (5) Customer E is a construction company based in Hong Kong whose principal business activities include foundation piling, demolition works and civil engineering works.
- (6) Customer F is a joint venture formed between two companies: a subsidiary of a Hong Kong listed construction company and Customer B.
- (7) Customer G is a construction company based in Hong Kong whose principal business activities include foundation piling, construction design and civil engineering works.
- (8) Customer H is specialised in infrastructure construction, infrastructure design, dredging and port machinery manufacturing businesses and is a subsidiary of a company listed in Hong Kong.

## SUMMARY

- (9) Customer I is a joint venture formed between two companies: an international contractor which specialises in water and wastewater handling and treatment and a local company whose principal business activities include real estate and property development, and civil engineering and building construction.

### Qualifications in Hong Kong

In order to undertake private sector foundation works, the foundation contractor is required to be registered with the Buildings Department as a registered specialist contractor under the foundation category unless the foundation contractor subcontracts those works to an appropriate registered specialist contractor. With respect to public sector foundation works, in addition to the registration with the Buildings Department as a registered specialist contractor under the foundation category, the foundation contractor must be registered with the relevant Hong Kong government departments or public organisations. Details of the above are set forth under the section headed “Laws and Regulations” in this prospectus.

During the Track Record Period, all of our foundation subcontracts with our customers were entered into by Ngai Shun. The following table sets out our major contracting qualifications and licences:

Relevant Hong Kong government departments or public organization	Description	Category	Qualification	Period of validity
Works Branch, Development Bureau	List of Public Works Contractor	Land Piling	Specialist List Group II — Minipile — Rock-socketed Steel H-pile in Pre-bored Hole	— (Note 1)
Buildings Department	Private sector works	Foundation Works	Registered Specialist Contractors	7 May 2013 to 6 May 2016
		Ground Investigation Field Works	Registered Specialist Contractors	4 August 2010 to 1 August 2013 (Note 2)
Construction Industry Council		Foundation works, land piling and ground investigation field works	Registered under the Voluntary Subcontractor Registration Scheme	— (Note 1)

*Notes:*

- (1) “—” denotes not subject to any periodic renewal condition
- (2) Regarding the registration renewal with the Buildings Department which expired on 1 August 2013, pursuant to the Buildings Ordinance, the registration of a contractor will continue to be in force if he makes an application for renewal within the statutory time limit (i.e. not earlier than 4 months and not later than 28 days prior to the date of the expiry of the relevant registration) and pays the renewal fee until his application for renewal is finalised by the Building Authority even if the expiry date has elapsed. Our Directors confirmed the application was submitted on 31 May 2013, which is within the allowed time limit and, therefore, we are holding valid registration and pending approval from the Buildings Department.

## SUMMARY

We maintain compliance with the respective licences, permits, registrations, and relevant regulatory requirements in respect of safety and environmental protection in the construction industry. The expected time to complete the renewal process is generally around one to two months and our Group intends to renew all existing licenses accordingly before their respective expiry date. We have not experienced any refusal of renewal of the licences necessary for our daily operations or any non-compliance with relevant laws and regulations of Hong Kong which caused material disruption to our operations during the Track Record Period and up to the Latest Practicable Date. Our Directors also do not expect any difficulty or legal impediment in obtaining the renewed licences.

### **Safety**

We have implemented safety plan to promote occupational health and safety at construction sites and to ensure compliance with the applicable laws and regulations in Hong Kong. Due to the nature of works in the construction industry, risks of accidents or injuries to workers are inherent. Although our Group has implemented safety plan to mitigate such safety risks, the occurrence of accidents or fatal injuries to workers at construction sites cannot be completely eliminated. For the three years ended 31 March 2011, 2012 and 2013 and for the period from 1 April 2013 up to the Latest Practicable Date, we recorded 16, 12, 15 and 5 accidents respectively, involving 16, 12, 15 and 5 workers who were either employed by our Group or by our subsubcontractor(s). Further details on our accident rates are set out in the section headed “Business — Safety and insurance — Safety” in this prospectus.

### **Our responsibilities and obligations as a foundation subcontractor**

The foundation projects undertaken by us are normally awarded by way of quotation requested by our customers who are the foundation contractors in Hong Kong. We classified our projects according to the nature of project employers: namely (i) public sector, which refers to the Hong Kong government and its related organisations and institutional bodies; and (ii) private sector, which refers to the property developers in Hong Kong. We enter into a subcontract with the foundation contractor, who is engaged by the Main Contractor or directly by the project employer, undertaking the foundation works. The subcontracts entered into by us and our customers specify the rights and obligations including but not limited to the type of work to be performed, subcontract sum, payment progress, insurance, retention monies, liquidated damages and default. We will then form a project management team and procure materials and machinery to implement the awarded foundation project. In general, pursuant to the subcontracts entered into between foundation contractors and subcontractors and confirmed by our Directors as standard and common industry practice, save for the accidents occurred at our offices or warehouse which are covered by the insurance maintained by our Group, the foundation contractors (our customers) will be responsible for employees’ compensation insurance and contractor’s all risks insurance for the foundation projects. The coverage of such insurance policies includes works performed by the foundation contractor (our customer) and its subcontractors (including us).

Depending on our internal resources level, cost effectiveness and level of works complexity, we sometimes sub-subcontract part of our foundation works, such as drilling, welding and grouting, to our internally approved sub-subcontractors by entering into separate sub-subcontracts with them. The standard sub-subcontract agreements entered into between our Group and the sub-subcontractors provide that the respective sub-subcontractors are required to observe all the requirements and provisions of the relevant subcontracts entered into between us and our customers. In order to ensure the quality of works to be provided by our sub-subcontractors, in general, they are not allowed to further subcontract their

## SUMMARY

works assigned by us. Pursuant to applicable law or the subcontract entered into with our customers, we may be liable to our customers for the performance of our sub-subcontractors. We may also be liable to any potential employees compensation claims and personal injuries claims made by the employees of our sub-subcontractors arising from works injuries as may happen from time to time. Therefore, we carry out regular assessment of our sub-subcontractors during the course of a project to ensure quality of their works. Our project managers and safety officer will make regular site visits to ensure general compliance by our sub-subcontractors in all respects particularly regarding safety and environmental requirements.

### COMPETITIVE STRENGTHS

We believe that our competitive strengths will enable us to maintain our position as one of the active market players in the Hong Kong foundation industry. Our competitive strengths include the following:

- our long-term history and our experienced management;
- experienced and professional project management teams and machinery operators;
- long-term relationships with our major customers;
- possession of and ability to modify imported machinery; and
- flexibility and capability to contribute advices and make appropriate adjustments.

Details of our Group's competitive strengths are set out in the section headed "Business — Competitive strengths" in this prospectus.

### BUSINESS STRATEGIES

We will continue to play an active role in seeking opportunities in foundation works from the private and public sectors in Hong Kong. We will mainly focus on undertaking foundation works involving the construction of socketed H-piles and mini-piles. We plan to expand our scale by continuing to acquire more advanced machinery and hire more professional staff. In this regard, machinery and equipments including air compressors, drilling rigs, vibratory hammers and other related accessory equipments for foundation works will be acquired from time to time in the next five to six years with an aim to increase our Group's capacity. We expect the additional staff, including two project managers, two foremen, five machinery operators and ten technical personnel, to be hired by the year ending 31 March 2017. Our Directors believe that by expanding our scale of operation, we will be able to participate in larger foundation projects and broaden our customer base by meeting the pre-qualifications set by potential customers.

Our Directors confirmed that it is the business strategy of our Group for being a subcontractor in the foundation industry in order to avoid direct competition with our customers (the foundation contractors) in the future. By maintaining good relationship and avoiding competition with our major customers, we believe that it will not undermine our Group's future business development, instead we



## SUMMARY

may take on more and larger foundation works from our customers as a result of the expected increase in demand for foundation services in Hong Kong and our competitive strengths and in turn achieve future revenue growth and securing source of revenue.

### FINANCIAL INFORMATION

The following tables regarding combined statements of comprehensive income and combined statements of financial position summarise the combined financial information of our Group during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

#### Summary combined statements of comprehensive income

	<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	204,988	249,586	356,100
Gross profit	21,161	56,411	107,273
Operating profit	5,577	38,464	75,819
Profit before income tax	5,225	37,821	75,382
Profit and total comprehensive income for the year attributable to owners of the Company	4,284	31,580	62,419

#### Summary combined statements of financial position

	<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>
<b>Non-current assets</b>	16,781	20,737	22,728
<b>Current assets</b>	<u>53,157</u>	<u>83,985</u>	<u>130,955</u>
<b>Total assets</b>	<u><u>69,938</u></u>	<u><u>104,722</u></u>	<u><u>153,683</u></u>
<b>Non-current liabilities</b>	5,080	5,982	6,830
<b>Current liabilities</b>	<u>40,881</u>	<u>45,183</u>	<u>50,877</u>
<b>Total liabilities</b>	<u><u>45,961</u></u>	<u><u>51,165</u></u>	<u><u>57,707</u></u>
<b>Net current assets</b>	<u><u>12,276</u></u>	<u><u>38,802</u></u>	<u><u>80,078</u></u>
<b>Total assets less current liabilities</b>	<u><u>29,057</u></u>	<u><u>59,539</u></u>	<u><u>102,806</u></u>
<b>Net assets</b>	<u><u>23,977</u></u>	<u><u>53,557</u></u>	<u><u>95,976</u></u>

## SUMMARY

### Financial performance

For the two years ended 31 March 2012 and 2013, our Group recorded a revenue growth of approximately 21.8% and 42.7%, respectively; and a net profit growth of approximately 637.2% and 97.7%, respectively. Such growths were due to factors including but not limited to the increase in amount of foundation works completed by our Group, the increase in our general subcontracting fee level as a result of the growth of demand for foundation works in Hong Kong construction industry, the minimised construction material costs resulted from our Group's long-term supply contracts entered into with its major suppliers of cement and diesel fuel, the enhancement of our cost efficiency, and the continuous improvement of our Group's machinery operation skills that minimised the wear and tear of machinery spare parts.

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

Our Group showed steady development after the Track Record Period. The unaudited revenue for the four months ended 31 July 2013, was higher than that for the four months ended 31 July 2012. During the four months period, additional machines and equipment of approximately HK\$3 million were acquired in order to cope with the business expansion of our Group. Our net profit margin for the four months ended 31 July 2013 slightly decreased as compared with our net profit margin for the year ended 31 March 2013 mainly due to the Listing expenses of approximately HK\$3.8 million incurred during the four months ended 31 July 2013.

As at the Latest Practicable Date, we have 14 foundation projects in progress, details of which are set out in the section headed "Business — Construction works — Foundation projects" in this prospectus. Our Directors confirmed that the total outstanding subcontract values as at 31 March 2013 to be recognised in the six months ending 30 September 2013, the six months ending 31 March 2014 and the six months ending 30 September 2014 are estimated to be approximately HK\$207 million, HK\$205 million and HK\$252 million respectively. As at the Latest Practicable Date, we have submitted 65 quotations and the results will be made known to us within approximately two to eight months after our submission.

We expect our gross profit margin for the year ending 31 March 2014 will remain comparable to our gross profit margin for the year ended 31 March 2013. Our net profit margin for the year ending 31 March 2014 will be slightly affected by the expenses incurred in relation to the Listing, the nature of which is non-recurring. We expect to record listing expenses amounting to HK\$7.3 million in the statement of comprehensive income for the year ending 31 March 2014. It is noted that the listing expenses above are a current estimate for reference only and the actual amount to be recognised is subject to adjustment based on audit and the then changes in variables and assumptions.

The collection of the trade receivables during the four months ended 31 July 2013 was satisfactory. All of the trade receivables (excluding retention receivables) as at 31 March 2013 have been subsequently settled up to 31 July 2013. There is no delay to foundation projects after the Track Record Period that may result in liquidated damages claim or disputes. Since 1 April 2012 and up to the Latest Practicable Date, there was no material change in our construction material prices and level of sub-subcontracting charges that had materially and adversely affected our business operations.

## SUMMARY

Furthermore, as far as our Directors are aware, there was no material change in the general economic and market conditions in the foundation industry in Hong Kong that had materially and adversely affected our business operations or financial conditions since 1 April 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.

### SHARE OFFER STATISTICS

	<b>Based on the minimum indicative Offer Price of HK\$0.83 per Share</b>	<b>Based on the maximum indicative Offer Price of HK\$1.09 per Share</b>
Market capitalisation <sup>(1)</sup>	HK\$332,000,000	HK\$436,000,000
Unaudited pro forma adjusted net tangible assets value per Share <sup>(2)</sup>	0.41	0.47

*Notes:*

- (1) The calculation of our market capitalisation is based on 400,000,000 Shares in issue immediately after completion of the Share Offer but does not take into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme.
- (2) The unaudited pro forma net tangible assets value per Share has been arrived at after the adjustments referred to in the paragraph headed "Unaudited pro forma adjusted net tangible assets" in the section headed "Financial Information" in this prospectus and on the basis of 400,000,000 Shares in issue at the minimum and the maximum indicative Offer Price of HK\$0.83 and HK\$1.09 per Share, respectively, immediately following completion of the Share Offer but without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme.

### DIVIDEND POLICY

For each of the three preceding financial years ended 31 March 2013, members of our Group declared dividends of HK\$3.3 million, HK\$2.0 million and HK\$20.0 million, representing approximately 77.0%, 6.3% and 32.0% of the respective period's net profit attributable to shareholders. In May 2013, a member of our Group declared and paid interim dividends of HK\$40 million from its working capital to shareholders. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payments.

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

- (i) it maximises the return on equity;

## SUMMARY

- (ii) it maintains the commercial relationship with banks; and
- (iii) it rewards the shareholders for their investments in our Company and shareholders may be inclined to invest further in our Company.

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

### USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and assuming that the Offer Size Adjustment Option is not exercised at all and an Offer Price of HK\$0.96, being the mid-point of the Offer Price range, will be approximately HK\$79.9 million. Our Directors presently intend to apply such net proceeds as follows:

- approximately HK\$51.9 million or approximately 65% of the net proceeds for the acquisition of additional overseas manufactured machinery and equipment including air compressors, drilling rigs, vibrator hammers, automatic grouting stations and other related accessory equipment for foundation works in the next five to six years to increase our capacity to cope with our expected business growth;
- approximately HK\$12.0 million or approximately 15% of the net proceeds for the hiring of additional staff, including two project managers, two foremen, five machinery operators and ten technical personnel to be hired by the year ending 31 March 2017 to increase our capacity, and out of which approximately HK\$1.0 million will be used for providing staff training in safety and environmental protection;
- approximately HK\$8.0 million or approximately 10% of the net proceeds will be used to partially repay our bank loan incurred in May 2013 for the planned acquisition of machinery, which will mature in three years from the date of occurrence with interest rate at 1.25% below the current prime rate per annum and an outstanding amount of around HK\$26.8 million as at the Latest Practicable Date; and
- approximately HK\$8.0 million or approximately 10% of the net proceeds will be used as general working capital of our Group.

Further details are set out in the section headed "Future plan and use of proceeds" in this prospectus.

## SUMMARY

### LITIGATION, ARBITRATION AND POTENTIAL CLAIMS

During the Track Record and as at the Latest Practicable Date, our Group had been and is involved in a number of claims, litigations and pending or threatened claims against our Group. As set out in the section headed “Business — Litigation, arbitration and potential claims” in this prospectus, these claims are related to (i) employees’ compensation claims and personal injuries claims; (ii) wage claims; and (iii) criminal charges arising out of our Group’s ordinary and usual course of business and are not related to any disputes with the customers of our Group. During the Track Record Period and up to the Latest Practicable Date, there were 15 claims, litigations and pending or threatened claims against our Group.

### NON-COMPLIANCE

From the date of incorporation of Ngai Shun to 31 March 2013, we had inadvertently failed to comply with certain regulatory requirements under the laws of Hong Kong, which are summarised in the section headed “Business — Non-compliance” in this prospectus. Our Group had 14 non-compliance events from the date of incorporation of Ngai Shun to the Latest Practicable Date.

### RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into (i) risks relating to our business; (ii) risks relating to the industries in which we operate; (iii) risks relating to Hong Kong; (iv) risks relating to the Share Offer and our Shares; and (v) risks relating to statement made in this prospectus. More details of the risks we are exposed to are set out in the section headed “Risk factors” in this prospectus. The following highlights some of the risks which are considered to be material by our Directors:

- our Group’s historical revenue and profit margin from foundation projects may not be indicative of our future revenue and profit margin;
- we had pending criminal charges that were brought against us as at the Latest Practicable Date. In case we are convicted, we may be subject to penalty and our reputation may be damaged;
- our Group determines the price based on the estimated time and costs involved in a project which may deviate from the actual time and costs involved. Inaccurate estimation may adversely affect our Group’s financial results;
- construction dispute or litigation may materially affect our Group’s business, operations and financial results;
- we have a limited number of customers during the Track Record Period, and revenue from our five largest customers accounted for approximately 95% of our Group’s total revenue for the year ended 31 March 2013. Any substantial reduction of contracts awarded by our Group’s five largest customers may have adverse effect on our Group’s business, operations and financial results;

## SUMMARY

- our revenue is mainly derived from foundation projects which are not recurrent in nature; and
- there is no guarantee that progress payment would be paid to us on time and in full, or that retention money is fully released to us when such payment is due which may affect our future liquidity position.



## DEFINITIONS

*In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:*

“Ample Capital” or “Sponsor”	Ample Capital Limited, a licensed corporation to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the sponsor to the Share Offer
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s) or, where the context so requires, any of them to be used in connection with the Public Offer
“Articles of Association” or “Articles”	the articles of association of the Company approved and adopted on 22 September 2013, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day”	a day (excluding Saturday and Sunday and public holiday) on which licensed banks in Hong Kong are open for general banking transactions to the public
“BVI”	the British Virgin Islands
“CAGR”	Compound annual growth rate, a method of assessing the average growth of a value over time
“Capitalisation Issue”	the issue of 299,990,000 new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and General Information — A. Further Information about our Company — 3. Written resolutions of our sole Shareholder passed on 22 September 2013” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

## DEFINITIONS

“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
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Company” or “our Company”	Ngai Shun Holdings Limited (毅信控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 3 April 2013
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Mr. SY Wong, Mr. SC Wong, Mr. Lam, Prime Colour, Splendid Core and Fabulous Business who, together, will hold a 75% equity issued share capital of our Company immediately after the Capitalisation Issue and the Share Offer (assuming that the Offer Size Adjustment Option is not exercised)
“Corporate Reorganisation” or “Reorganisation”	the reorganisation of the Group conducted in preparation for the Listing, details of which are set out in the section headed “Statutory and General Information — A. Further Information about our Company — 4. Corporate reorganisation” in Appendix IV to this prospectus
“Deed of Indemnity”	a deed of indemnity dated 22 September 2013 given by Mr. SC Wong, Mr. SY Wong, Mr. Lam, Prime Colour, Splendid Core and Fabulous Business in favour of our Group in respect of taxation and other indemnities referred to in the section headed “Statutory and General Information — E. Other Information — 1. Tax and Other Indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	a deed of non-competition dated 22 September 2013 executed by Mr. SC Wong, Mr. SL Wong, Mr. SY Wong, Mr. Lam, Prime Colour, Splendid Core and Fabulous Business in favour of our Group containing certain non-competition undertakings to our Group
“Director(s)”	the director(s) of our Company

## DEFINITIONS

“DNV”	DNV (Det Norske Veritas) Business Assurance
“HK eIPO White Form”	the application for Public Offer Shares to be issued in the Applicant’s own name by submitting application online at the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“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 at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“Fabulous Business”	FABULOUS BUSINESS LIMITED (卓業有限公司), a company incorporated in the BVI on 2 January 2013 with limited liability
“GREEN Application Form(s)”	the application form(s) to be completed by <b>HK eIPO White Form</b> Service Provider designated by our Company
“Group” or “our Group” or “we” or “our” or “us”	the Company, Pearl Swirls and Ngai Shun
“HK\$” or “HK Dollar(s)” and “cent(s)”	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Independent Third Party(ies)”	individual(s) or company(ies) who/which is/are independent of and not connected (within the meaning of the Listing Rules) with the directors, chief executives and substantial shareholders of the Company and its subsidiaries or any of their respective associates as defined under the Listing Rules
“Inland Revenue Ordinance”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Ipsos Report”	an industry report dated 23 September 2013 prepared by Ipsos Hong Kong Limited which was commissioned by us in relation to, among other things, the foundation industry in Hong Kong
“Latest Practicable Date”	23 September 2013, being the latest practicable date for ascertaining certain information prior to the printing of this prospectus

## DEFINITIONS

“Lead Manager”	VC Brokerage Limited, being the bookrunner and lead manager to the Share Offer
“Listing”	listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 16 October 2013, on which the Shares are listed and from which dealings in the Shares commence on the Main Board
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company approved and adopted on 22 September 2013, as supplemented, amended or otherwise modified from time to time
“Mr. Lam”	Mr. Lam Wing Sum (林榮森)
“Mrs. Lam”	Ms. Kwan Oi Man, Joyce (關愛雯), wife of Mr. Lam
“Mr. SC Wong”	Mr. Wong Sai Chung (黃世忠), brother of Mr. SL Wong, Mr. SY Wong and Mr. SS Wong
“Mr. SL Wong”	Mr. Wong Sai Lai (黃世禮), brother of Mr. SY Wong, Mr. SC Wong and Mr. SS Wong
“Mr. SS Wong”	Mr. Wong Sai Shing (黃世誠), brother of Mr. SL Wong, Mr. SY Wong and Mr. SC Wong
“Mr. SY Wong”	Mr. Wong Sai Yee (黃世義), brother of Mr. SL Wong, Mr. SC Wong and Mr. SS Wong
“New Shares”	the 100,000,000 new Shares initially to be issued at the Offer Price pursuant to the Share Offer, which expression shall, where the content permits, include any part of such new Shares
“Ngai Shun”	Ngai Shun Construction & Drilling Company Limited (毅信鑽探工程有限公司), a company incorporated in Hong Kong with limited liability on 9 July 1997

## DEFINITIONS

“Offer Price”	the final offer price per Offer Share (exclusive of a brokerage fee of 1.0%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%) of not more than HK\$1.09 and is currently expected to be not less than HK\$0.83, to be agreed upon by us and the Lead Manager (acting for itself and on behalf of Underwriters) on or before Monday, 7 October 2013
“Offer Shares”	the Placing Shares and the Public Offer Shares
“Offer Size Adjustment Option”	the option granted by the Company to the Placing Underwriter, exercisable by the Lead Manager or their agent on behalf of the Placing Underwriter, at their sole and absolute discretion, whereby the Company may be required to allot and issue up to 15,000,000 additional Placing Shares representing up to 15% of the Offer Shares initially available under the Share Offer, at the Offer Price solely to cover over-allocations in the Placing, subject to the terms of the Placing Underwriting Agreement
“Pearl Swirls”	PEARL SWIRLS LIMITED (珍珠有限公司), a company incorporated in the BVI on 2 January 2013 with limited liability, a direct wholly-owned subsidiary of the Company
“Placing”	the conditional placing of the Placing Shares at the Offer Price with institutional and professional investors, details of which are described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 90,000,000 New Shares initially being offered by the Company for subscription at the Offer Price under the Placing, subject to reallocation and the Offer Size Adjustment Option as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriter”	the underwriter in respect of the Placing named in the section headed “Underwriting — Underwriters — Placing Underwriter” in this prospectus
“Placing Underwriting Agreement”	the conditional placing underwriting agreement to be entered into among our Company, the Lead Manager, the Placing Underwriter and other parties relating to the Placing
“PRC” or “China”	The People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region

## DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into between our Company and the Lead Manager (for itself and on behalf of the Underwriters) at or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or before Monday, 7 October 2013 or such later date as may be agreed by us and the Underwriters, but in any event which the Offer Price is fixed for the purposes of the Share Offer
“Prime Colour”	PRIME COLOUR GLOBAL LIMITED (彩卓環球有限公司), a company incorporated in the BVI on 5 December 2012 with limited liability
“Public Offer”	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, details of which are described in the section headed “Structure and Conditions of the Share Offer” in this prospectus and the related Application Forms
“Public Offer Shares”	the 10,000,000 New Shares initially being offered by the Company for subscription at the Offer Price under the Public Offer, subject to re-allocation as mentioned in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters in respect of the Public Offer named in the section headed “Underwriting — Underwriters — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 27 September 2013 entered into among our Company, the Lead Manager, the Public Offer Underwriters and other parties relating to the Public Offer
“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, modified and supplemented from time to time
“Share(s)”	share(s) of a nominal value of HK\$0.01 each in the capital of our Company
“Share Offer”	the Placing and the Public Offer



## DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally adopted by our Company pursuant to a resolution passed by the sole Shareholder on 22 September 2013 as described in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Splendid Core”	SPLENDID CORE GLOBAL LIMITED (輝芯環球有限公司), a company incorporated in the BVI on 11 December 2012 with limited liability
“sq.ft.” and “sq.m.”	square feet and square metres, respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary” or “Subsidiaries”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Track Record Period”	the period comprising the three financial years ended 31 March 2013
“Underwriters”	the Placing Underwriter and the Public Offer Underwriters
“Underwriting Agreements”	the Placing Underwriting Agreement and Public Offer Underwriting Agreement
“United States”	The United States of America
“US\$”	United States dollar(s), the lawful currency of the United States of America
“work-related accidents”	accidents incurred in the course of employment, or arising from employment related to industrial activities
“%”	per cent.

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*All times and dates refer to Hong Kong local time and dates unless otherwise stated.*

*Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Offer Size Adjustment Option.*

## GLOSSARY OF TECHNICAL TERMS

*This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.*

“Authorised Signatory”	the appointed person to act for a registered contractor for the purpose of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)
“ASD”	the Architectural Services Department of Hong Kong
“Building Authority”	the Building Authority of Hong Kong
“Buildings Department”	the Buildings Department of Hong Kong
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Development Bureau”	the Development Bureau of the Government of Hong Kong
“Factories and Industrial Undertakings Ordinance”	Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations”	Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong) made under the Factories and Industrial Undertakings Ordinance, as amended, supplemented or otherwise modified from time to time
“GDP”	Gross Domestic Product
“HKCAS”	the Hong Kong Certification Body Accreditation Scheme
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organization for Standardization, a non-government organization based in Geneva, Switzerland, for assessing the quality systems of business organizations
“ISO 9001”	quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing
“Main Contractor”	a contractor, appointed by the project employer’s construction consultant, who generally oversee the progress of the entire construction project and delegate different work tasks of the construction to other contractors
“mini-piles”	a type of pile which consist of one or more steel bars encased by grout inside a borehole, which in general, not exceeding 400 mm in diameter

## GLOSSARY OF TECHNICAL TERMS

“socketed H-piles” or “rock socketed H-piles”	a type of pile formed by drilling holes on the ground and then insert a prefabricated steel H-pile into the borehole and subsequently grouting the hole with cementitious materials
“Specialist List”	the List of Approved Suppliers of Materials and Specialist Contractors for Public Works as kept by the Development Bureau
“Technical Director”	a director authorized by the board of Directors to ensure the works are carried out in accordance with the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)
“Works Branch”	the Works Branch of the Development Bureau

## FORWARD-LOOKING STATEMENTS

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

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic conditions;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- the other factors that are described in the section headed “Risk Factors” in this prospectus.

We do not intend to update these forward-looking statements in addition to on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

## RISK FACTORS

*You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. The business, financial condition or results of operations of our Group could be materially adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS

#### **Our Group's historical revenue and profit margin from foundation projects may not be indicative of our future revenue and profit margin**

For each of the years ended 31 March 2011, 2012 and 2013, our revenue amounted to approximately HK\$205.0 million, HK\$249.6 million and HK\$356.1 million, respectively. For each of the years ended 31 March 2011, 2012 and 2013, our net profit amounted to approximately HK\$4.3 million, HK\$31.6 million and HK\$62.4 million, respectively. Our Group's results of operation were affected by foundation projects completed before the Track Record Period.

However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend on our capability to secure new contracts and control our costs and expenditures.

The profit margins and income of our Group's foundation projects may fluctuate from project-to-project due to the nature of foundation works. Our Group's foundation projects may include unforeseen obstacles, such as difficult sub-soil conditions and increase in labour or other material costs, which may not have been anticipated during the planning stage which would lead to additional works to be performed by our Group, and thus affect the overall profit margin of our Group's projects if such amounts cannot be recovered from our customers. Further, since normally we receive payments from our customers by way of progress payments on a monthly basis with reference to the value of the works done, the approval and certification of which are subject to decision from external parties and not our Group, namely, the architects or quantity surveyors employed by our customers or the project employers are beyond our Group's control.

For the three years ended 31 March 2011, 2012 and 2013, our gross profit was approximately HK\$21.2 million, HK\$56.4 million and HK\$107.3 million, respectively; whereas our gross profit margin was approximately 10.3%, 22.6% and 30.1%, respectively.

There is no assurance that our gross profit and gross profit margin will remain stable in the future and our financial condition may be adversely affected by any decrease in the gross profit or gross profit margin.

## RISK FACTORS

**We had pending criminal charges that were brought against us as at the Latest Practicable Date. In case we are convicted, we may be subject to penalty and our reputation may be damaged**

Our Group had received summonses for criminal charges on 7 February 2013 and 6 June 2013 alleging, among other things, our Group's failure (i) to ensure a lifting appliance was not used for raising, lowering or carrying persons as proscribed under the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations; and (ii) to ensure a lifting appliance, namely a crawler-mounted crane, was used and maintained in contrary with the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations. Our Group has pleaded not guilty on both summonses. The paragraph headed "Litigation, arbitration and potential claims" sets out details of the charges. In case our Group is unsuccessful and being convicted on all counts for both summonses, our Group and our Director may become liable with maximum fine in aggregate of HK\$1,200,000 and for the summons on 7 February 2013, an imprisonment of up to 12 months. If any member of our management is sentenced to imprisonment, our Group's reputation in the industry will be damaged.

**Our Group determines the price based on the estimated time and costs involved in a project which may deviate from the actual time and costs involved. Inaccurate estimation may adversely affect our Group's financial results**

We need to estimate the construction time and costs in order to determine the construction fee. There is no assurance that the actual construction time and costs would not exceed our estimation during the actual implementation of the project, which usually takes months or years to complete.

The time taken and the cost actually involved in completing foundation projects undertaken by us may be adversely affected by many factors, including shortage and cost escalation of materials and labour, difficult geological condition, adverse weather conditions, additional variations to the construction plans requested by the customers or because of technical construction needs, disputes with sub-subcontractors, accidents, changes in the Hong Kong government's priorities and unforeseen problems and circumstances. Any of these can give rise to delays in completion of foundation works or cost overruns or even termination of projects by customers.

Some of our projects are subject to specific completion schedule requirements and the customer may charge us liquidated damages if we do not meet the schedules. In some of our projects, liquidated damages are levied at an agreed rate for each day of delay that is deemed to be our responsibility. Any failure to meet the schedule requirements of our contracts could cause us to pay significant liquidated damages, which would reduce or eliminate our profit on the relevant contracts.

Failure to complete construction according to specifications and quality standards on a timely basis may result in disputes, contract termination, liabilities and/or lower returns than anticipated on the construction project concerned. Such delays or failure to complete and/or termination of a project by customers may cause our revenue or profitability to be lower than what we have expected. We cannot guarantee that we will not encounter cost overruns or delays on our current and future foundation projects. If such cost overrun or delays occur, we could experience an increase in costs exceeding our budget or be required to pay liquidated damages with a consequent reduction in, or elimination of, the profits on our contracts.

## RISK FACTORS

### **Construction dispute or litigation may materially affect our Group's business, operations and financial results**

We may receive claims in respect of various matters from our customers, sub-subcontractors, workers and other parties concerned with our projects from time to time. Such claims include claims for compensation for late completion of works and delivery of substandard works, and claims in respect of personal injuries and labour compensation in relation to the works.

There are also cases that variation clauses are written in the subcontract entered into between our Group and our customer requiring us to perform as requested certain variation works which are not included in the original design layout specification. Our customer will perform measurement and evaluation to the variation work and make adjustment to the subcontract sum. Such adjustment will be reflected in the customer progress certificates to reflect such changes. In the event our Group disagrees on the rates fixed by our customer over variation works, contractual disputes with our customers may arise, and our results of operation, liquidity and financial position may be adversely affected.

The sections headed "Business — Litigation, arbitration and potential claims" in this prospectus sets out further information.

Should any claims against us fall outside the scope and/or limit of our insurance coverage or monies retained from subcontractors, our financial position may be adversely affected.

### **We have a limited number of customers during the Track Record Period, and revenue from its five largest customers accounted for approximately 95% of our Group's total revenue for the year ended 31 March 2013. Any substantial reduction of contracts awarded by our Group's five largest customers may have an adverse effect on our Group's business, operations and financial results**

Our five largest customers during the Track Record Period accounted for approximately 71.6%, 96.6% and 94.5%, respectively of our revenue; whereas our largest customer accounted for approximately 21.9%, 61.0% and 50.4% of our revenue for the corresponding period, respectively. These major customers may continue to account for similar or even higher portions of our revenue in the future.

There may be risks associated with having a small number of major customers and that we do not enter into long-term contracts with them. There is no assurance that any of our major customers will continue to engage us at the same contracting rate, or at all, as they have done so historically.

Any deterioration in the businesses of our major customers could lead to a decline in their contracts placed with us or a change in our major customers' business relationships. If any of our major customers substantially reduces the number of contracts placed with us or terminates its business relationship with us, we cannot assure you that we would be able to obtain from other customers to replace such lost contracts on comparable terms, or at all, in which case our business, operating results and financial condition may be materially and adversely affected. Additionally, if any of our major customers had financial or liquidity problem which results in difficulty in operating their business, the validity of contracts would be adversely affected. In the event of default of payment by any of our major customers, we may be unable to recover significant amounts of receivables and our cash flows, business and financial position could be adversely affected.

## RISK FACTORS

Further, if any of our major customers and/or their directors were being the subject of legal action(s) that result in a dysfunctional board of directors or material adverse impact on their business operation, the business between us and such customer may be disrupted or even discontinued and this could adversely affect our business and profits. We also cannot assure you whether the business relationship between us and our major customer will resume as usual after such legal action(s). If legal action(s) leads to the winding up of any of our major customers, our Group may be exposed to credit risk for unclaimed or outstanding contract price which may not be recoverable by our Group. Any legal action(s) taken against our customers and/or their directors is/are beyond our control, and we cannot estimate the impact of such legal action(s) and/or their directors.

Due to the competitiveness of the industry we operate, there is no assurance that we can continue to diversify the composition of our customer base and include other new customers. Should any of the risks above materialise, our business and financial position could be adversely affected.

### **Our revenue is mainly derived from foundation projects which are not recurrent in nature**

The foundation projects undertaken by our Group are mostly on a case by case basis. As such, our revenue derived from such projects is not recurring in nature and we cannot guarantee that our customers will provide us with new business after the completion on of the current projects. Our Group has to go through quotation to secure new project works. In the event we are unable to maintain business relationship with our existing customers, our business hence our revenue will be adversely affected.

### **There is no guarantee that progress payment would be paid to us on time and in full, or that retention money is fully released to us when such payment is due which may affect our future liquidity position**

We normally receive progress payment from our customers on a monthly basis by referring to the value of works done. A portion of such payment, normally at 5% to 10%, is usually withheld by our customers as retention money. The section headed “Business — Operating procedures — Project implementation — Progress payment and retention money” in this prospectus sets out further details. As at 31 March 2013, retention receivables retained by our customers excluded from trade receivables amounted up to approximately HK\$27.0 million.

There can be no assurance that progress payment will be paid to us on time and in full, or the retention money or any future retention money will be remitted by our customers to us on a timely basis and in full or that the level of bad debt arising from such payment practice can be maintained.

Also as a subcontractor, payment from our customers to us may be affected by the progress of the whole project and the creditworthiness of our customers. There is no assurance that our customers will receive the contracting fees from the project employer, and in turn pay us the subcontracting fees on time or at all. In the event we are unable to recover our subcontracting fees on-time and in full, our cash flow and financial performance in the future will be adversely affected.



## RISK FACTORS

### **We are exposed to interest rate risk which is unhedged and may affect our cash flow**

We had bank borrowings of approximately HK\$9.1 million, HK\$8.8 million and HK\$13.3 million as at 31 March 2011, 2012 and 2013 respectively. These bank borrowings carry floating interest rate and expose our Group to cash flow interest rate risk. The bank borrowings carried interest rate at 0.25% to 1.75% below the current prime rate per annum during the Track Record Period. Our Group has not hedged its cash flow interest rate risks.

### **We sometimes engage sub-subcontractors to complete some of our foundation works, which we may take responsibilities for the sub-standard performance or non-performance of such sub-subcontractors**

We sometimes engage sub-subcontractors to perform a portion of the work under our subcontracts. We may not be able to monitor the performance of these sub-subcontractors as directly and efficiently as with our own staff. Outsourcing exposes us to risks associated with non-performance, delayed performance or sub-standard performance by sub-subcontractors. As a result, we may experience deterioration in the quality or delivery of our foundation works, incur additional costs due to the delays or at a higher price in sourcing the services, equipment or supplies in default, or be subject to liability under the relevant contract for our sub-subcontractor's performance. Such events could impact upon our profitability, financial performance and reputation, and result in litigation or damage claims.

If our sub-subcontractors violate any laws, rules or regulations in relation to health and safety matters, we may expose ourselves as an obligor to prosecutions by relevant authorities, and also be liable to claims for losses and damages if such violations cause any personal injuries/death or damage to properties. In the event there is any violation, whether substantial or minor in nature of any laws, rules or regulations, occurred in the sites for which we are responsible, our operations and hence our financial position will be adversely affected.

### **We depend on key management personnel**

Our success and growth depends on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors and members of senior management, in particular, our executive Directors are important to us. If any of these executive Directors cease to be involved in the management of the Group in the future and our Group is unable to find suitable replacements in a timely manner, there could be an adverse impact on our business, results of operation and profitability of our Group.

### **We are exposed to claims arising from latent defects**

We may face claims arising from latent defects, that are existing but not yet discovered, developed or visible, found in piles which are installed by us. In the event that there is any significant claim against us for any latent defects by our customers or other party, our profitability would be adversely affected. The section headed "Business — Progress payment and retention money" in this prospectus sets out further details.

## **RISK FACTORS**

### **We are exposed to environmental liability**

Our business in Hong Kong is subject to the environmental regulations and guidelines issued by the Hong Kong government which apply to construction projects in Hong Kong. Such regulations and guidelines may be revised by the Hong Kong government from time to time to reflect the latest environmental needs. Any changes to such regulations and guidelines may increase our cost and burden in complying with them.

### **We are exposed to certain types of liabilities that are generally not insured**

Save for liabilities arising from personal injuries claims which are normally covered by employees' compensation insurance, certain types of liabilities (such as liabilities from negligent claims under common law, acts of God or other natural disasters) are generally not insured because they are either uninsurable or it is not cost justifiable to insure against certain risks. In the event that an uninsured liability arise, we may suffer losses which may adversely affect our financial position.

### **We rely heavily on the quality of service of third party maintenance specialists in the maintenance and repair of our substantial amount of fixed assets**

We own various machinery and will continue to acquire additional machinery manufactured overseas. Part of the maintenance and repair of such fixed assets rely heavily on the quality of service of the third party maintenance specialists to which we outsource maintenance and repair services. In the event that there is any failure of operation of our machinery arising from the maintenance and repair services rendered by these third party maintenance specialists or any loss of service of any of the experienced member of their maintenance team, our operation and business would be adversely affected.

### **Our cash flows may fluctuate due to set up cost applied to our foundation projects**

As far as a single foundation project is concerned, at the early stage of carrying out our construction works, we may be required to pay the setting up expenditures. Progress payments will be paid after our construction works commence and are certified by our customers and accordingly the cash flows for a particular project will turn into accumulative net inflows gradually as the construction works progress. Please see the section headed "Business — Operating procedures" in this prospectus for more information.

If we take up too many significant projects at a particular period of time, which require substantial initial setting up costs without cash inflow from other projects during such period of time, our cash flow position may be adversely affected.

### **We may damage various underground services utilities**

Services utilities, such as fresh and flush water mains, low or high voltage electric cables, optical fibre telephone line and high pressure gas mains, are lain underground or below carriageways and footways in Hong Kong. We, when carrying out foundation works or site investigation works, may encounter those service utilities. There is no assurance that damage to those utilities will not occur during our excavation works. Accordingly, we may be liable to the costs for the repair of such damaged service utilities.

## RISK FACTORS

### **We rely on a stable supply of labour to carry out our foundation projects**

The works of our foundation projects are basically labour intensive works. However, there is no guarantee that the supply of labour and average labour costs will be stable. In the event that we fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with the demand of our existing or future projects and/or there is a significant increase in the costs of labour, we may not be able to complete our projects on schedule and within budget and our operations and profitability may be adversely affected.

### **We engage, directly or indirectly, labourers of different trades who may launch industrial action or strikes to have higher wages and shorter working hours**

Foundation works usually involve various trades, such as welding and grouting. Each trade requires highly specialised labourers of its own and may not be substituted with labourers of other trades. We are exposed to the risk that some trade unions may launch industrial actions or even strikes to ask for higher wages and shorter working hours. If we meet their demand, we will incur additional labour costs, or if not, we may be exposed to the risk of claims by customers for the delays in completion of our subcontracts. In either case, these industrial actions or strikes may have adverse impact on our profitability and results of operations.

### **Failure to implement and maintain safe construction sites may lead to occurrence of personal injuries, property damages or fatal accidents**

In the course of our operations, we require our employees to adhere to and implement all the safety measures and procedures as stipulated in our safety manual. Although according to the safety manual, we shall closely monitor and supervise our employees in the implementation of all such safety measure and procedures during execution of works, we cannot guarantee that there will be no violation of rules, laws or regulations by our employees. In the event that our employees fail to implement safety measures on our construction sites, there may be higher number of occurrence and more seriousness of personal injuries, property damage or fatal accidents, which may adversely affect the financial position of our Group to the extent not covered by our insurance policy and may cause our relevant licences being suspended or not renewed.

### **We are exposed to risk of damaged reputation due to employees' compensation claims and personal injuries claims arising from our foundation projects**

Injuries to workers at construction sites are a common inherent risk in the construction industry. As at the 31 March 2013, our Group has certain claims in relation to employees' compensation and personal injuries, the proceedings of which are in progress. Furthermore, our Group also has 9 pending or threatened claims for which the relevant personal injuries actions have not been commenced. More information is set out in the section headed "Business — Litigation, arbitration and potential claims" in this prospectus.

Such claims not only expose us to the risk of having to bear higher insurance premiums in the future, but may also lead to damage to the reputation of our Group if such claims escalate into high profile cases and become widely reported in the media or within the industry. If such incidents occur, our business prospects and results of operation may be negatively affected.

## RISK FACTORS

### **Dividends declared in the past may not be indicative of the dividend policy in the future**

A member of our Group declared dividends of HK\$3.3 million, HK\$2.0 million and HK\$20.0 million for the three years ended 31 March 2011, 2012 and 2013 respectively, which have been settled and financed by our internal resources. In May 2013, a member of our Group declared and paid interim dividend of HK\$40 million from its working capital. Any declaration of dividends proposed by our Directors and the amount of any such dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Directors may determine are important. For further details of the dividend policy of our Company, please see the section headed “Financial information — Dividend policy” in this prospectus. We cannot guarantee if and when dividends will be paid in the future.

### **Our Group’s operations could be affected by adverse weather conditions and are subject to other construction risks**

Most of our Group’s foundation projects are undertaken outdoor. Therefore the operations of our Group may be interrupted or otherwise affected by adverse weather conditions such as rainstorms, tropical cyclones and continuous rain which may cause difficulties to our Group in completing its projects on schedule. If there is delay in the work of our projects due to the adverse weather conditions, we have to subsequently accelerate our work progress in order to catch up to meet the scheduled time for completion. Any delay in completion of the foundation projects may make us subject to penalty and will adversely affect the operating results of our Group. The acceleration works will inevitably incur additional costs.

In addition, we are subject to other construction risks such as fire, suspension of water and electricity supplies which may not only affect our work progress but also pose risks on our properties kept at the construction site.

### **Our Group has records of non-compliance of Hong Kong regulatory requirements**

Before and during the Track Record Period, our Company had inadvertently failed to comply with the regulatory requirements under the Companies Ordinance in failing to make timely filings in relation to certain company secretarial matters with the Companies Registry of Hong Kong, due to the unintended and inadvertent oversights of and the mistakes as to the necessity of compliance with the time limit requirements under the relevant sections of the Companies Ordinance made by the relevant staff of our Company who was responsible for looking after these matters at the material times. The section headed “Business — Non-compliance” in this prospectus sets out further details.

In respect of the failure to make timely filings for company secretarial matters with the Companies Registry of Hong Kong, a company and its respective officers who failed to make timely filings for the aforementioned company secretarial matters with the Companies Registry of Hong Kong would be liable to a fine of levels 3 to 5 (HK\$10,000 to HK\$50,000) and a daily default fine of HK\$300 or HK\$700 for each late filing. As advised by our Company’s legal counsel as to Hong Kong laws, the maximum potential penalty for the late filings would be HK\$398,600. Details of the non-compliance are set out in the paragraph headed “Non-compliance” under the section headed “Business” in this prospectus. Should our Company is fined by the Companies Registry of Hong Kong, the results of our Company’s financial position may be adversely affected.

## **RISK FACTORS**

### **RISKS RELATING TO THE INDUSTRIES IN WHICH WE OPERATE**

#### **Our performance is dependent on market conditions and trends in the construction industry and in the overall economy which may change adversely**

All our operations and management are currently located in Hong Kong. The future growth and level of profitability of the foundation industry in Hong Kong are likely to depend primarily upon the continued availability of major construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the Hong Kong government's spending patterns on the construction industry in Hong Kong, the investment of property developers and the general conditions and prospects of Hong Kong's economy. These factors may affect the availability of foundation projects from the public sector, private sector or institutional bodies.

Apart from the public spending of the Hong Kong government, there are numerous factors affecting the foundation industry, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. Should there be a recurrence of recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or should the demand for foundation works in Hong Kong deteriorate, our operations and profits could be adversely affected.

#### **We operate in a competitive industry**

The foundation industry in Hong Kong has a number of participants and is competitive. For instance, there were 130 registered specialist contractors (Foundation Works) according to data from the Buildings Department as at the Latest Practicable Date. Occasionally, new participants may wish to enter the industry if they have the appropriate skills, local experience, necessary machinery and equipment, capital and are granted the requisite licences by the relevant regulatory bodies. We may face competition from other subcontractors. Increased competition may result in lower operating margins and loss of market share, resulting in an adverse impact on our profitability and operating results.

#### **We are exposed to project risks**

It is not unusual to find difficult sub-soil conditions which may not have been anticipated at the preliminary stage. Such ground conditions may make pile construction difficult which in turn may increase project expenses. In the event that we have committed to a fixed sum or rate foundation contract and no adjustment to the contract sum could be agreed with our customers, we may have to absorb such increased expenses and our profitability would be adversely affected.

#### **We may fail to renew or obtain the requisite registrations and licences to undertake foundation projects in Hong Kong**

As a minimum requirement for undertaking foundation projects in Hong Kong, a contractor is required to be registered under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) as a Registered Specialist Contractor in the foundation category. In addition, a contractor must be included in the Specialist List to undertake public sector foundation works. Contractors registered with the Works Branch are subject to a regulatory regime which is put in place to ensure that standards of financial

## **RISK FACTORS**

capability, expertise, management and safety are maintained by contractors carrying out Hong Kong government works. The paragraph headed “Contractor licensing regime” in the section headed “Laws and Regulations” in this prospectus sets out further details.

Government authorities may, in certain circumstances, remove a contractor from their lists or take other disciplinary actions against a contractor such as suspension, downgrading to probationary status, or demotion to a lower group in respect of all or any work category, if the performance or tendering record of the contractor is found to be unsatisfactory. In the event of a withdrawal, revocation or downgrading of our registrations in any work category or if any of our registrations are not renewed upon expiry, our financial position and ability to obtain future contracts would be adversely affected.

### **RISKS RELATING TO HONG KONG**

#### **The state of economy in Hong Kong**

Our performance and financial condition is heavily dependent on the state of economy in Hong Kong as our revenue attributable to the Hong Kong market accounted for 100% of our Group’s total revenue for the three years ended 31 March 2011, 2012 and 2013. In the event that there is a downturn in the economy of Hong Kong, our results of operations and financial position may be severely affected.

#### **The state of political environment in Hong Kong**

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

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

#### **Investors will experience immediate dilution**

Because the Offer Price of our Shares is higher than the net tangible book value per Share immediately prior to the Share Offer, purchasers of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted net tangible assets value to HK\$0.47 per Share, based on the maximum Offer Price of HK\$1.09, assuming that the Offer Size Adjustment Option is not exercised.

## RISK FACTORS

### **The Shareholders' interests in our Company may be diluted as a result of additional equity fund raising**

We may issue additional Shares to raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

### **There has been no prior public market for our Shares. If an active trading market for our Shares does not develop, the price of our Shares may be adversely affected and may decline below the Offer Price**

Prior to the Share Offer, there was no public market for our Shares. The Offer Price was the result of negotiations between us and the Lead Manager (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for the Shares following the Share Offer.

In addition, we cannot assure you that an active trading market will develop or be maintained following the completion of the Share Offer, or that the market price of our Shares will not decline below the Offer Price.

### **The liquidity and market price of our Shares following the Share Offer may be volatile**

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and announcements of major foundation works contracts awarded could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade.

### **Due to the time lag between pricing and trading of the Shares, there is a risk that the price of our Shares may fall before trading begins**

The Offer Price will be determined on the Price Determination Date, which is expected to be on 9 October 2013. However, trading of the Shares on the Main Board will not commence until the Listing Date, which is expected to be on 16 October 2013. During this period, investors may not be able to sell or otherwise deal in the Shares. Accordingly, holders of the Shares are subject to the risk that the Shares' price could fall before trading begins resulting from adverse market conditions or other adverse developments that could occur between the time of the sale and the time trading begins.

### **Investors may experience difficulties in enforcing their shareholders' 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,



## RISK FACTORS

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 company law on protection of minorities is set out in the paragraph headed “Cayman Islands Company Law” in Appendix III to this prospectus.

### **Future issues, offers or sale of Shares may adversely affect the prevailing market price of the Shares**

Future issue of Shares by our Company or the disposal of Shares by any of its Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of the Shares. The Shares held by the Controlling Shareholders are subject to certain lock-up undertakings for periods up to 12 months after the Listing Date. We cannot give any assurance that they will not dispose of Shares they may own now or in the future.

### **Granting options under the Share Option Scheme may affect our Group’s result of operation and dilute Shareholders’ percentage of ownership**

Our Company may grant share options under the Share Option Scheme in the future. The fair value of the options at the date on which they are granted with reference to the valuer’s valuation will be charged as share-based compensation, which may adversely affect the Group’s results of operations. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance and thus may result in the dilution to the percentage of ownership of the Shareholders and the net asset value per Share. No option has been granted pursuant to the Share Option Scheme as at the Latest Practicable Date. For a summary of the terms of the Share Option Scheme, please see the section headed “Share Option Scheme” in Appendix IV to this prospectus.

## **RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS**

### **Statistics and industry information may come from various sources which may not be reliable**

Certain facts, statistics and data presented in the section headed “Industry Overview” and elsewhere in this prospectus relating to the Hong Kong foundation industry have been derived, in part, from various publications and industry-related sources prepared by government officials or Independent Third Parties. We believe that the sources of the information are appropriate sources for such information and we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. Neither our Group, our Directors, the Sponsor nor any of the parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics, as such these statistics and data should not be unduly relied upon.

### **Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Share Offer including, in particular, any financial projections, valuations or other forward looking statement**

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sponsor, the Lead Manager and the



## **RISK FACTORS**

Underwriters, the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “Professional Parties”) involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to subscribe the Offer Shares. You should rely only on the information contained in this prospectus and the Application Forms.

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

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

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Cap. 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- (b) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

### **INFORMATION ABOUT THE SHARE OFFER**

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, 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 Sponsor, the Lead Manager, the Underwriters, and any of their respective directors or any other person involved in the Share Offer.

The following information is provided for guidance only. Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

### **FULLY UNDERWRITTEN**

The Share Offer comprises the Placing and the Public Offer. The Share Offer is an offer of 10,000,000 New Shares under the Public Offer (subject to reallocation) and 90,000,000 New Shares under the Placing (subject to reallocation and the Offer Size Adjustment Option), in each case at the Offer Price. Details of the structure of the Share Offer are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. This prospectus and the Application Forms relating thereto set out the terms and conditions of the Share Offer.

The Share Offer is sponsored by the Sponsor, lead managed by the Lead Manager and is fully underwritten by the Underwriters subject to the Offer Price being agreed on or before the Price Determination Date, as referred to in the section headed "Underwriting — Underwriting Arrangements and Expenses" in this prospectus.

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

### **DETERMINATION OF THE OFFER PRICE**

The Offer Price is expected to be determined by agreement between us and the Lead Manager (acting for itself and on behalf of the Underwriters) on or before 8:00 p.m. on Monday, 7 October 2013. The Offer Price will be not more than HK\$1.09 per Offer Share and is currently expected to be not less than HK\$0.83 per Offer Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK\$1.09 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.09 per Offer Share.

The Lead Manager (acting for itself and on behalf of the Underwriters) may, with our consent, reduce the number of the Offer Shares and/or the indicative Offer Price range 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, a notice of the reduction of the number of the Offer Shares and/or the indicative Offer Price range will be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese), not later than the morning of the last day for lodging applications under the Public Offer.

If, for any reason, the Offer Price is not agreed between us and the Lead Manager (acting for itself and on behalf of the Underwriters) on or before 5:00 p.m. on Tuesday, 8 October 2013, the Share Offer will not proceed and will lapse.

### **OFFER SHARES TO BE OFFERED IN HONG KONG ONLY**

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares 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 other jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation.

Each person acquiring the Offer Shares will be required under the Share Offer and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restriction on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

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

Our Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme). No part of the share or loan capital 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 proposed to be sought in the near future.

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

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

All Offer Shares will be registered on our Hong Kong branch share register of members to be maintained by Tricor Investor Services Limited which may be traded on the Stock Exchange. Dealings in Shares registered in our Hong Kong branch register of members will be subject to Hong Kong stamp duty in Hong Kong. For further details about Hong Kong stamp duty, please seek professional tax advice.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

If you are unsure about the taxation implications of subscribing for, or purchasing, holding or disposing of, or dealing in or exercise of any rights in relation to the Offer Shares, you should consult an expert.

None of our Company, the Sponsor, the Lead Manager, the Underwriters, their respective directors, agents or advisors and every other person involved in the Share Offer accept responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of, or dealing in or exercise of any rights in relation to the Offer Shares.

### **PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES**

The procedure for application for Public Offer Shares is set out in the section headed “How to Apply for 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 conditions of the Share Offer, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

### **TRADING AND SETTLEMENT**

Dealings in the Shares are expected to commence on Wednesday, 16 October 2013. Shares will be traded in board lots of 4,000 Shares each.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **NO CHANGE IN THE NATURE OF BUSINESS**

No change in the nature of business of our Group is contemplated following the Listing.

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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**DIRECTORS**

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. SC Wong	Flat D, 35/F Prince Ritz 448 Prince Edward Road West Kowloon City, Kowloon Hong Kong	Singaporean
Mr. Lam Wing Sum	Flat D, 3/F, Block 1 Symphony Bay Villa Concerto 530 Sai Sha Road Sai Kung, New Territories Hong Kong	Chinese
Mr. Tao Chi Keung (杜志強)	Flat 1816, 18/F, Block B Tung Yip House Lei Tung Estate 5 Lei Tung Estate Road Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. SY Wong	Flat A, 14/F, Block 3 Phoenix Court No 39 Kennedy Road Wanchai, Hong Kong	British
<i>Independent non-executive Directors</i>		
Mr. Tam Tak Kei, Raymond (譚德機)	Flat A, 12/F King Tien Mansion Taikoo Shing Quarry Bay Hong Kong	British
Mr. Pai Hao (白焗)	8/F, Block E 57 Yuet Wah Street Kwun Tong, Kowloon Hong Kong	Singaporean
Mr. Chiu Sai Chuen Nicholas (趙世存)	Flat J, 2/F Merry Terrace 4 Seymour Road Mid-level West Hong Kong	Chinese

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### PARTIES INVOLVED

**Sponsor**

Ample Capital Limited  
Unit A, 14/F  
Two Chinachem Plaza  
135 Des Voeux Road Central  
Central  
Hong Kong

**Bookrunner and Lead Manager**

VC Brokerage Limited  
28th Floor, The Centrium  
60 Wyndham Street  
Central  
Hong Kong

**Placing Underwriter**

VC Brokerage Limited  
28th Floor, The Centrium  
60 Wyndham Street  
Central  
Hong Kong

**Public Offer Underwriters**

VC Brokerage Limited  
28th Floor, The Centrium  
60 Wyndham Street  
Central  
Hong Kong

Ample Orient Capital Limited  
Unit A, 14/F  
Two Chinachem Plaza  
135 Des Voeux Road Central  
Hong Kong

Astrum Capital Management Limited  
11/F, 122 QRC  
Nos. 122–126 Queen's Road Central  
Central  
Hong Kong

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

**Legal advisers to our Company**

*As to Hong Kong law:*  
Loong & Yeung  
Suites 2001–2005, 20/F  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

*As to Cayman Islands law:*  
Appleby  
2206–19, Jardine House  
1 Connaught Place  
Central  
Hong Kong

**Legal adviser to the Sponsor and the Underwriters**

*As to Hong Kong law:*  
Jun He Law Offices  
Suites 2008, 20/F  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

**Auditors and reporting accountants**

HLB Hodgson Impey Cheng Limited  
Certified Public Accountants  
31/F, Gloucester Tower  
The Landmark, 11 Pedder Street  
Central  
Hong Kong

**Receiving banker**

The Bank of East Asia, Limited  
10 Des Voeux Road Central  
Hong Kong

## CORPORATE INFORMATION

<b>Registered office</b>	Clifton House PO Box 1350 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Headquarters, head office and principal place of business in Hong Kong</b>	Unit 2, 23/F New Tech Plaza 34 Tai Yau Street San Po Kong Kowloon, Hong Kong
<b>Authorised representatives</b>	Mr. SC Wong Flat D, 35/F Prince Ritz 448 Prince Edward Road West Kowloon City, Kowloon Hong Kong  Mr. Lam Wing Sum Flat D, 3/F, Block 1 Symphony Bay Villa Concerto 530 Sai Sha Road Sai Kung, New Territories Hong Kong
<b>Company secretary</b>	Mr. Ho Cheuk Wai ( <i>HKICPA &amp; FCCA</i> )
<b>Compliance adviser</b>	Ample Capital Limited Unit A, 14/F Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong
<b>Company's website</b>	<b><u><a href="http://www.ngaishun.com.hk">www.ngaishun.com.hk</a></u></b> <i>(information contained in this website does not form part of this prospectus)</i>
<b>Audit committee</b>	Mr. Tam Tak Kei, Raymond ( <i>Chairman</i> ) Mr. Pai Hao Mr. Chiu Sai Chuen Nicholas
<b>Remuneration committee</b>	Mr. Pai Hao ( <i>Chairman</i> ) Mr. Lam Mr. Chiu Sai Chuen Nicholas



## CORPORATE INFORMATION

<b>Nomination committee</b>	Mr. SC Wong ( <i>Chairman</i> ) Mr. Tam Tak Kei, Raymond Mr. Chiu Sai Chuen Nicholas
<b>Principal share registrar and transfer office</b>	Appleby Trust (Cayman) Ltd. Clifton House PO Box 1350 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Hong Kong share registrar and transfer office</b>	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
<b>Principal bankers</b>	Nanyang Commercial Bank, Limited 151 Des Voeux Road Central, Hong Kong  Wing Hang Bank, Limited 9/F, Wing Hang Finance Centre 60 Gloucester Road Wanchai, Hong Kong  The Hongkong and Shanghai Banking Corporation Limited 12/F, Tower 1, HSBC Centre 1 Sham Mong Road, Tai Kok Tsui Kowloon, Hong Kong  DBS Bank (Hong Kong) Limited 16/F, The Center 99 Queen's Road Central Hong Kong

## INDUSTRY OVERVIEW

*Certain facts, statistics and data presented in this section and elsewhere in this prospectus have been derived, in part, from government official publications that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information is false or misleading. Whilst our Directors have taken all reasonable care to ensure that the relevant facts and statistics are accurately reproduced from the government official publications, such facts and statistics have not been independently verified by us, the Sponsor, the Underwriters, their respective affiliates, directors and advisers or any other parties involved in the Share Offer, and none of them makes any representation as to the accuracy or completeness of such information, which may not be consistent with other information available and may not be accurate and should not unduly relied upon.*

*Certain information and statistics are extracted from the Ipsos Report. The information extracted from the Ipsos Report reflects an estimate of market conditions based on Ipsos Hong Kong Limited's research and analysis. The information extracted from the Ipsos Report should not be viewed as a basis for investments provided by Ipsos Hong Kong Limited and references to the Ipsos Report should not be considered as Ipsos Hong Kong Limited's opinion as to the value of any security or the advisability of investing in our Company. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics by us, neither we, the Sponsor, the Underwriters, their respective affiliates, directors or advisers, nor any party involved in the Share Offer have independently verified such information and statistics directly or indirectly derived from official government publications, and such parties do not make any representation as to their accuracy. The information and statistics may not be consistent with other information and statistics compiled by other parties.*

### REPORT CONDUCTED BY IPSOS HONG KONG LIMITED

We commissioned Ipsos Hong Kong Limited to conduct an analysis of, and to report on, the foundation industry in Hong Kong for the period from 2008 to 2016. The information and analysis contained in the Ipsos Report was assessed independently by Ipsos Hong Kong Limited and Ipsos Hong Kong Limited, including all its subsidiaries, divisions and units, is not connected to our Group in any way. Ipsos Hong Kong Limited charged us a total fee of approximately HK\$288,000 for the preparation and the use of the Ipsos Report, which our Directors consider to reflect market rates.

Ipsos Hong Kong Limited, being one of the worldwide offices of the Ipsos Group, is specialised in conducting researches across all industrial sectors including tourism, financial services, cosmetics, regional luxury and high net worth research.

## INDUSTRY OVERVIEW

The following assumptions are used in the Ipsos Report:

- The global economy is assumed to maintain a steady growth across the forecast period.
- It is assumed that there is no external shock such as financial crisis or the wide outbreak of diseases to affect the demand and supply of foundation services in Hong Kong during the forecast period.
- The demand for foundation services in Hong Kong data is expected to grow under the Hong Kong government investment in the infrastructure construction projects, coupled with the rising demand for residential and commercial buildings.

The following parameters are considered in the marketing sizing and forecast model of the Ipsos Report:

- GDP growth rate in Hong Kong from 2013 to 2016.
- Growth in the number of enterprises in Hong Kong from 2008 to 2012.
- Growth in the number of tourists and retail sales in Hong Kong from 2008 to 2012.
- Growth in the public expenditure on infrastructure in Hong Kong from 2008 to 2012.
- Construction cost including raw material and labor costs.
- The Hong Kong government policies to increase the supply of land for residential development such as securing land for the development of about 75,000 new private residential flats over the five years from 2012–13 and about 17,000 Home Ownership Scheme flats over the four years starting from 2016–17.

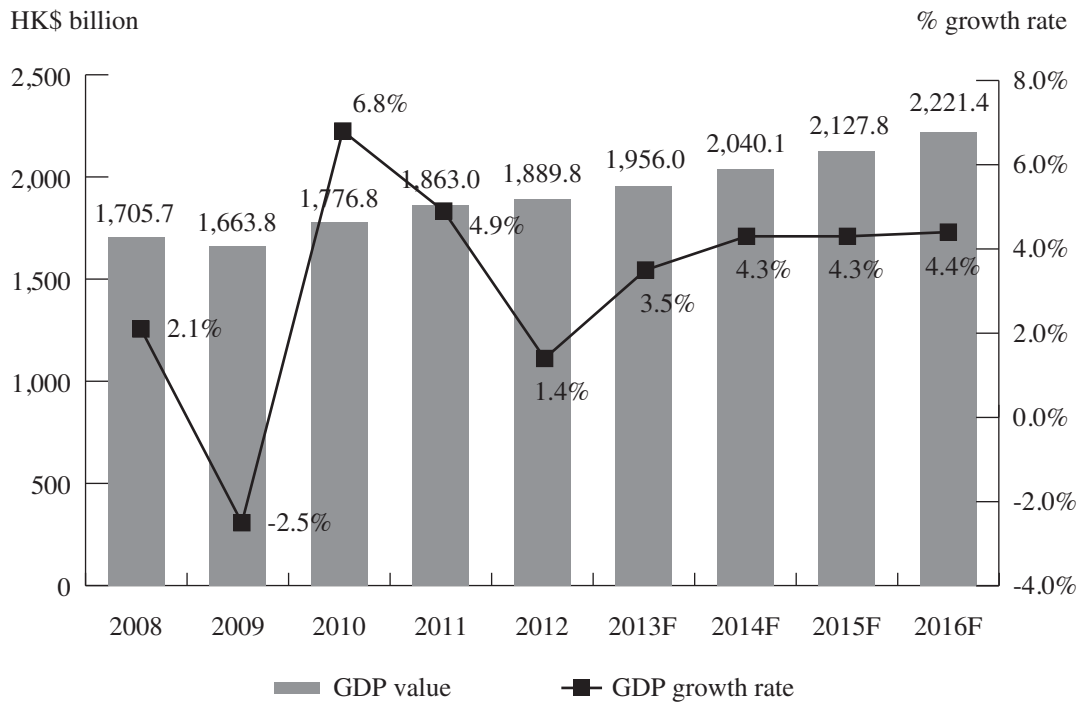
# INDUSTRY OVERVIEW

## MARKET OVERVIEW OF THE CONSTRUCTION INDUSTRY IN HONG KONG

### Hong Kong economy

The economy of Hong Kong is the basis for the development of the local foundation industry. The growth momentum is forecasted to improve from 2013 to 2016 on the back of strong growth in private consumption together with the moderate expansionary fiscal stance announced in the 2013/14 Hong Kong government's Budget.

**GDP Values and GDP Growth Rates in Hong Kong from 2008 to 2016**



Sources: Ipsos Report

The GDP growth rate in Hong Kong dropped to its nadir of about -2.5% in 2009, due to the impact of the global financial crisis which occurred in the second half of 2008. However, supported by the prosperous economy in China coupled with China's outward direct investments, the GDP growth rate in Hong Kong rebounded apace and peaked at about 6.8%, reaching about HK\$1,776.8 billion, in 2010.

The GDP growth rate abated in 2011 and further slowed down in 2012 to about 1.4% due to China's weakening economic growth as a result of a decrease in exports to the European market. The unresolved European debt crisis coupled with the uncertain US fiscal outlook also slowed down the economic growth of Hong Kong.

A revival in private consumption and overall investment spending in the second half of 2012 has given impetus to the GDP growth in Hong Kong. Moreover, committed infrastructure projects and relief measures announced in the 2013/14 Hong Kong government's Budget is anticipated to give extra support to the economy.

## INDUSTRY OVERVIEW

It is expected that the GDP growth in the Hong Kong economy will increase moderately at the level of about 3.5% to 4.4% in the period of 2013–2016. The economic growth will be favorable to the foundation industry due to the continual construction activities.

### **Macroeconomic factors influencing the construction and foundation industries in Hong Kong**

Rising demand for residential buildings, together with increasing government spending on infrastructure will give impetus to the growth of the construction and foundation industries in Hong Kong.

#### ***Increase in the demand for residential buildings***

In order to cope with increasing demand for residential buildings and stabilising the residential property prices, the Hong Kong government has strived to provide more land for residential development. For example, 46 residential sites, providing about 13,600 flats, will be sold by public tender in the 2013–14 Land Sale Program. Therefore, the rise in demand for residential buildings will have a high impact on driving the growth of the construction and foundation industries.

#### ***Increase in the number of enterprises***

The increasing number of enterprises in Hong Kong facilitates the growth of Hong Kong's construction and foundation industries due to rising demand for office space for both local companies and the foreign enterprises setting up branches in the city. The number of newly registered local companies hit a record high of 150,161 in 2012, an increase of about 1.2% and 7.6% in 2011 and 2010 respectively. Moreover, the number of total registered companies rose at a CAGR of about 10.1% from 710,766 in 2008 to 1,044,644 in 2012. The increase in the demand for office space will lead to more commercial property being built, thus boosting the construction and foundation industries in Hong Kong.

#### ***Increase in retail sales***

The growth in retail sales drives the demand for retail space and increases the cost of rental. Retail sales increased from about HK\$273,803 million in 2008 to about HK\$445,371 million in 2012, up by about 62.7%. Comparing the first quarter of 2012 to 2013, retail sales grew by about 13.9% from HK\$113,500 million in 2012 to HK\$129,276 million in 2013. The rise in retail sales in Hong Kong increases the demand for new shopping malls and retail outlets, thus driving the construction and foundation industries.

## INDUSTRY OVERVIEW

### **Government policies and regulations affecting the construction and foundation industries in Hong Kong**

The policies focus on residential segment and have high impact on the construction and foundation industries in Hong Kong.

#### ***Initiatives in securing land for Public Rental Housing and the Home Ownership Scheme***

According to the 2013 Policy Address, the Hong Kong government has upheld the principle of helping low-income families in moving into public housing and assisting middle-income families in buying their own flats. In order to achieve these initiatives, the Hong Kong government has secured land for developing about 75,000 units of new Public Rental Housing (PRH) flats over the next 5 years beginning from 2012–13 and about 17,000 units of Home Ownership Scheme (HOS) flats over the next 4 years beginning from 2016–17. This will further increase the demand for construction and foundation contracting services.

#### ***Increase in the Hong Kong government's spending on infrastructure construction work***

Since the announcement of ten major infrastructure construction projects in 2007, the local demand for construction and piling services has increased. According to the 2013/14 Hong Kong government's Budget, the Hong Kong government will spend an estimated HK\$76.1 billion on infrastructure construction work in the coming year. These major infrastructure projects include the Shatin to Central Link, the Tuen Mun-Chek Lap Kok Link, the construction of Tin Shui Wai Hospital and the Centre of Excellence in Paediatrics, etc. These large scale infrastructure projects will continue to drive the demand for construction and foundation industries.

#### ***Resumption of the land sale program for residential usage***

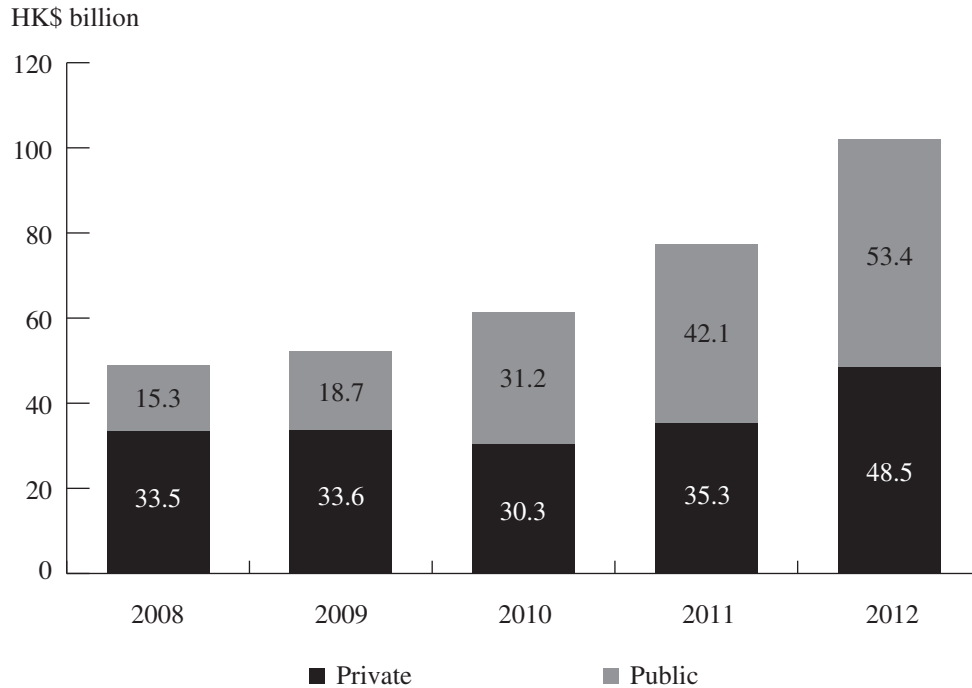
Since 2010, the Hong Kong government has resumed the land sale program to increase the supply of residential properties in order to cool down the overheated property market and maintain a healthy and stable property market. According to the "Land Sale Program February 2013 to March 2014", there will be a total of about 46 sites for residential usage. Also, other land supplies including four property projects along the West Rail, and three property projects owned by MTR Corporation Limited will be launched in the market in 2013. The resumption of the land sale program supports the development of the construction and foundation industries.

## INDUSTRY OVERVIEW

### Construction industry

Public sector has become a key driver for the growth of the gross output value of construction works in Hong Kong.

**Gross Output Value of Construction Works Performed by Main Contractors at Construction Sites in Hong Kong from 2008 to 2012**



Sources: Ipsos Report

The total gross output value of construction works performed by Main Contractors at construction sites in Hong Kong increased from about HK\$48.8 billion in 2008 to about HK\$101.9 billion in 2012, at a CAGR of about 20.2%.

The gross output value of construction works performed by Main Contractors at construction sites by public sector grew from about HK\$15.3 billion in 2008 to about HK\$53.4 billion in 2012, at a CAGR of about 36.6%.

- The gross output value of construction works performed by Main Contractors at construction sites by public sector increased by about 66.8% from 2009 to 2010. This significant growth was mainly caused by the government's initiatives in assisting in the employment opportunities in the construction industry by launching more construction projects, in order to support the recovery of the economy in Hong Kong after the global financial crisis happened in the second of 2008.
- Since 2010, the public sector has become the key driver in the construction industry. The public sector accounted for about 50.7%, 54.4% and 52.4% of the total gross output value of construction works performed by Main Contractors at construction sites in 2010, 2011 and 2012 respectively.

## INDUSTRY OVERVIEW

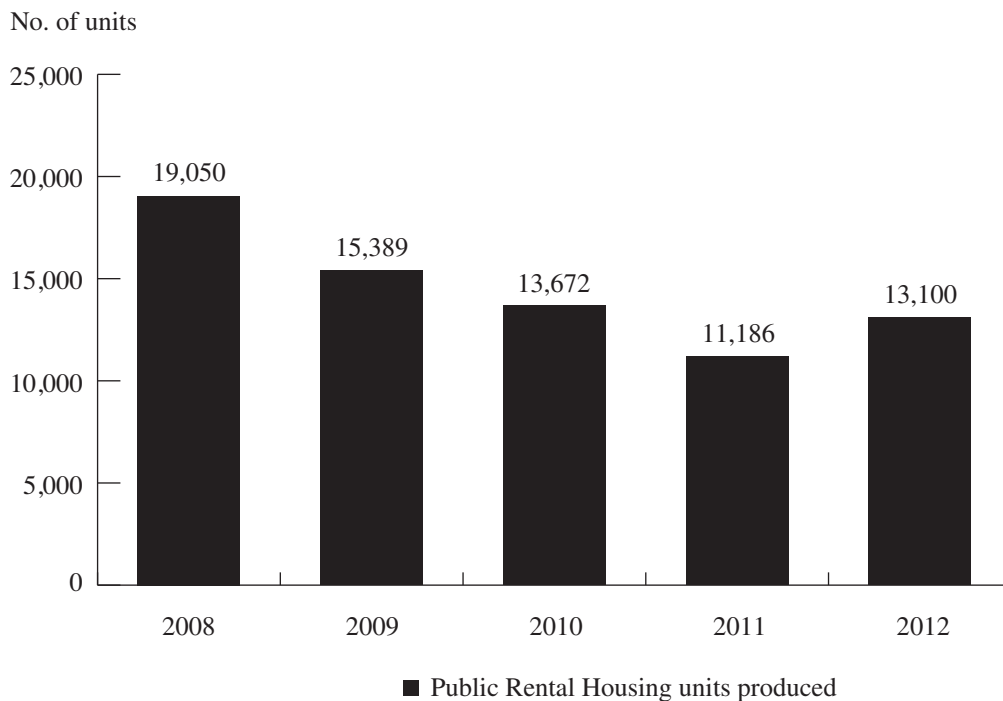
The gross output value of construction works performed by Main Contractors at construction sites by private sector rose moderately from about HK\$33.5 billion in 2008 to about HK\$48.5 billion in 2012, at a CAGR of about 9.7%. The moderate growth of the private sector was attributed to the recovery in the economy, and the rising demand of the community for residential properties.

### Public sector projects

#### *Public housing*

The production of Public Rental Housing units decreased by about 41.3% from 2008 to 2011, but rose by about 17.1% in 2012 in order to cope with the long waiting time for Public Rental Housing.

**Total Number of Public Rental Housing Units Produced by the Housing Authority in Hong Kong from 2008 to 2012**



Sources: Ipsos Report

The total number of Public Rental Housing units produced in Hong Kong decreased from about 19,050 units in 2008 to about 13,100 units in 2012, at a CAGR of about -8.9%. The number of Public Rental Housing units produced has dropped moderately since 2009. However, it increased by about 17.1% in 2012 in response to the rising demand for Public Rental Housing units which are more affordable by the low-to-middle-income families.

- There were 110,400 general applicants and 100,000 non-elderly one-person applicants under the Quota and Points System on the Waiting List for Public Rental Housing as of the end of September 2012, with the Average Waiting Time of 2.7 years and 1.4 years for general applicants and elderly one-person applicants respectively.



## INDUSTRY OVERVIEW

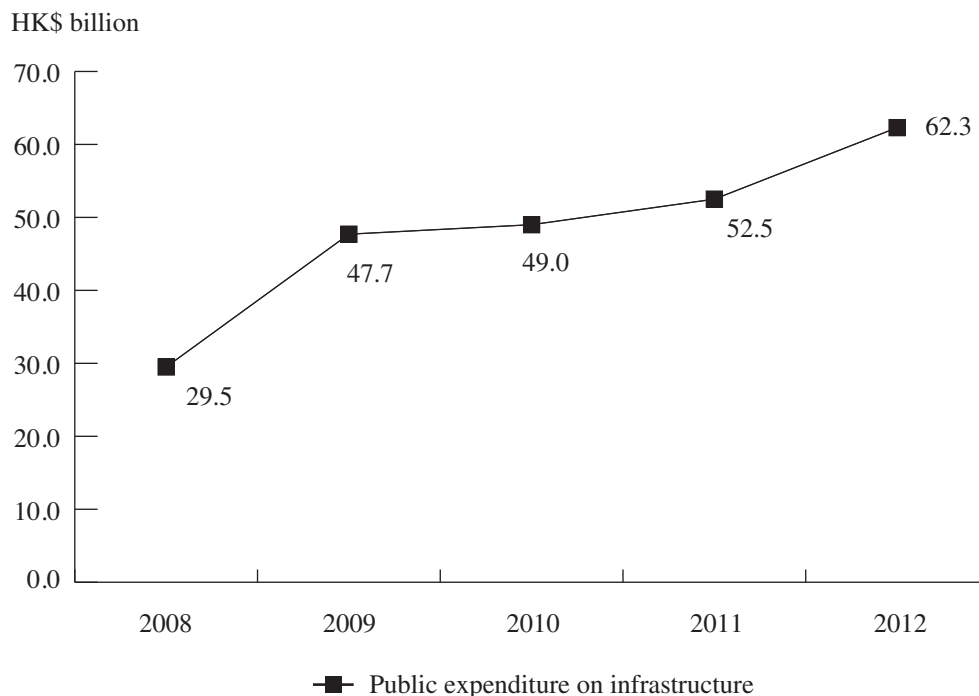
- Moreover, there were more young people, aged 35 or below, applied for Public Rental Housing. According to the Housing Authority, there were about 57,200 applicants aged 35 or below as of the end of March 2012. Among these 57,200 applicants, about 34.0% were students when they applied for Public Rental Housing, while about 47.0% attained post-secondary education.

With reference to the 2013 Policy Address, it is expected that the total number of Public Rental Housing units produced will hover at about 14,000–21,000 units in each of the next four years so as to cope with the long queue for Public Rental Housing.

### *Public expenditure*

Increasing public expenditure on infrastructure has driven the growth of the construction and foundation industries in Hong Kong.

**Public Expenditure on Infrastructure in Hong Kong from 2008 to 2012**



Sources: Ipsos Report

The public expenditure on infrastructure in Hong Kong increased at a CAGR of about 20.5%, from about HK\$29.5 billion in 2008 to about HK\$62.3 billion in 2012.

The public expenditure on infrastructure in Hong Kong has been increasing since the launch of the ten major infrastructure projects, announced in 2007.

- These ten major infrastructure projects are aimed to increase the competitiveness of Hong Kong, and to fuel the momentum of Hong Kong's economy through the construction demand and job opportunities created.

## INDUSTRY OVERVIEW

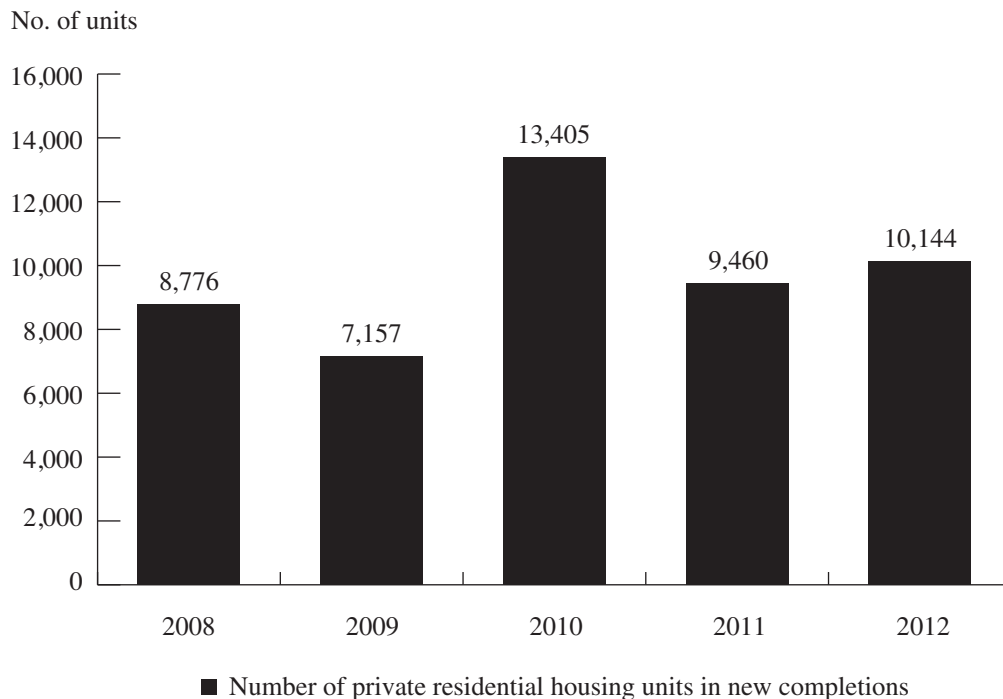
- According to the 2013/14 Hong Kong government's Budget, the government will invest approximately HK\$76.1 billion in infrastructure construction projects in 2013 to 2014.
- These ten major infrastructure projects include South Island Line (East), Shatin to Central Link, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge, Hong Kong-Shenzhen Western Express Line, Lok Ma Chau Loop, West Kowloon Cultural District, Kai Tak Development, and New Development Areas.

### Private sector projects

#### *Private residential housing*

The total number of private residential housing units in new completions were heavily affected by the economic situation from 2008 to 2012.

**Total Number of Private Residential Housing Units in New Completions in Hong Kong from 2008 to 2012**



Sources: Ipsos Report

The total number of private residential housing units in new completions in Hong Kong grew at a CAGR of about 3.7%, from about 8,776 units in 2008 to about 10,144 units in 2012.

- Affected by the global financial crisis which occurred in the second half of 2008, the total number of private residential housing units in new completions dropped from about 8,776 units in 2008 to about 7,157 units in 2009, at the rate of about -18.4%.

## INDUSTRY OVERVIEW

- The total number of private residential housing units in new completions grew at about 87.3% from 2009 to 2010, and hit a record high of about 13,405 units in 2010. This was due to a series of measures, such as maintaining the overall maximum amount of guarantee for each small and medium enterprise (SME) at HK\$6 million under the SME Loan Guarantee Scheme, launched by the Hong Kong government to stimulate the economy.

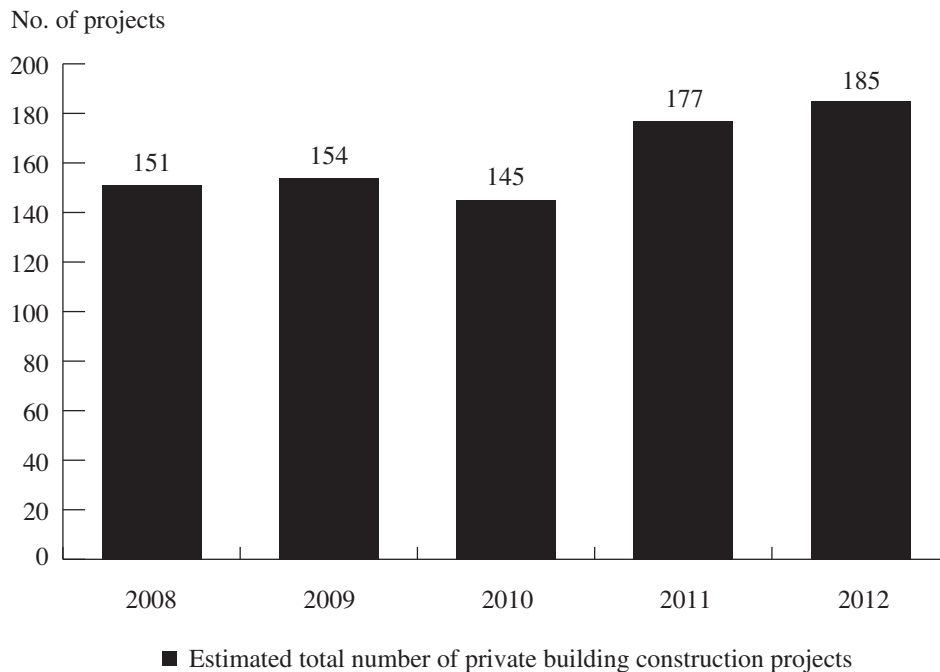
It is expected that the total number of private residential housing units in new completions will increase to about 13,600 units in 2013. It is also anticipated that the government will supply enough land to stabilize the number of private residential housing units in new completions in the next 5 years.

- Announced in the 2013 Policy Address, land supply has been secured for the development of a total of about 67,000 new private residential flats for the next 3 to 4 years starting from 2012–13.

### *Private building construction*

The number of private building construction projects in new completions rebounded at the rate of about 22.1% in 2011 after a drop in 2010 resulted from the global financial crisis.

**Estimated Total Number of Private Building Construction Projects in New Completions in Hong Kong from 2008 to 2012**



Sources: Ipsos Report

The number of private building construction projects in new completions in Hong Kong increased from about 151 projects in 2008 to about 185 projects in 2012, at a CAGR of about 5.2%. Affected by the global financial crisis, the number of private building construction projects in new completions dropped by about 3.9% from 2008 to 2010.

## INDUSTRY OVERVIEW

- Amongst these projects, non-residential projects fell by about 8.1% from 99 projects in 2008 to about 91 projects in 2010, and composite projects dropped by about 17.9% from 98 projects in 2008 to about 93 projects in 2010. However, the number of residential projects rose by about 29.2% from about 24 projects to about 31 projects over the same period of time.
- With the recovery of the economy, the number of private building construction projects in new completions increased by about 27.6% from 2010 to 2012.
- The number of composite projects grew at the most significant rate of about 60.9% from about 23 projects in 2010 to about 37 projects in 2012, while non-residential and residential projects increased by about 20.9% and 22.6% respectively over the same period of time.

### MARKET OVERVIEW OF THE FOUNDATION INDUSTRY IN HONG KONG

#### Recent development and the importance of the foundation industry in Hong Kong

Foundation works are important to the whole construction industry as they function as the supporting layer of a construction project. Without foundations, superstructure works cannot be carried out. Bored piles, socketed H-piles and mini-piles are more commonly used foundation work methods in Hong Kong.

Foundation works are the lowest and supporting parts of most construction works in Hong Kong. The foundation industry has laid the basis for the construction industry in Hong Kong. This is because foundation works are a critical part of the construction industry, and the demand for the foundation industry is heavily dependent on the demand for the construction industry.

The quality of foundation works is extremely vital for the safety of the buildings, as the superstructure works are performed exactly on top of the foundation works, or the supporting layer. The problems of substandard piling works affect the building safety, the public confidence towards the buildings as well as the value of the buildings.

The estimated gross output value of piling and related foundation works of foundation industry in Hong Kong grew from about HK\$5,817.6 million in 2008 to about HK\$19,874.8 million in 2012, at a CAGR of about 36.0%, resulted from the 10 major infrastructure projects launched by the Hong Kong government since 2007.

#### Supply of foundation services

For the private sector, there were a total of about 131 registered specialist contractors for foundation works in the foundation industry in Hong Kong as of April 2013, with about 95% of them locally based. For the public sector, there were a total of about 36 approved Special List Group II contractors under the land piling work category (including socketed H-piling, mini-piling and other piling methods) of the Development Bureau. There were only 17 specialist contractors eligible for undertaking both socketed H-piles and min-piles as of June 2013, in which our Group is one of them.

## INDUSTRY OVERVIEW

### *Most of the foundation contractors in the foundation industry in Hong Kong are local based*

There were about 131 registered specialist contractors for foundation works in the Buildings Department in Hong Kong as of April 2013. Among them, about 95% are local based. About 10% of these registered contractors are property developers themselves. Many foundation contractors are involved in residential development projects, hotels, commercial centers and infrastructure projects in Hong Kong.

Registration as registered specialist contractors (Foundation Works) in the Buildings Department is a must for contractors to engage in the foundation industry in Hong Kong. If the contractors wish to carry out public foundation projects, they are required to be listed under the land piling category of the Development Bureau, and/or other public organisations.

### **Demand for foundation services**

Strong demand for the foundation industry has been shown from both public and private sectors.

### *The Hong Kong government is the key party in the foundation industry in Hong Kong*

The foundation industry relies mainly on the public sector which accounts for approximately 60–70% in terms of revenue of the total foundation industry in Hong Kong, while the remaining 30 to 40% belongs to the private sector, including developers, and Main Contractors.

- In the past 3 years, various major infrastructure projects, such as the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the new air cargo terminal at the Hong Kong International Airport, have been launched. They helped in boosting the foundation industry in Hong Kong. The estimated gross output value of piling and related foundation works of the foundation industry in Hong Kong increased significantly from about HK\$9,872.6 million in 2010 to about HK\$19,874.8 million in 2012, at a CAGR of about 41.9%.
- In the next 3 to 5 years, there will be a sustained demand for the foundation industry from the Hong Kong government. According to the 2013/14 Hong Kong government's Budget, the Hong Kong government has planned to spend about HK\$8.0 billion on the redevelopment of Kwai Chung Hospital, and about HK\$20.0 billion on the construction of Tin Shui Wai Hospital and the Centre of Excellence in Pediatrics as well as the refurbishment of Hong Kong Buddhist Hospital, and the re-provisioning of Yau Ma Tei Specialist Clinic.

### *Property developers and Main Contractors also have a significant impact on the foundation industry in Hong Kong*

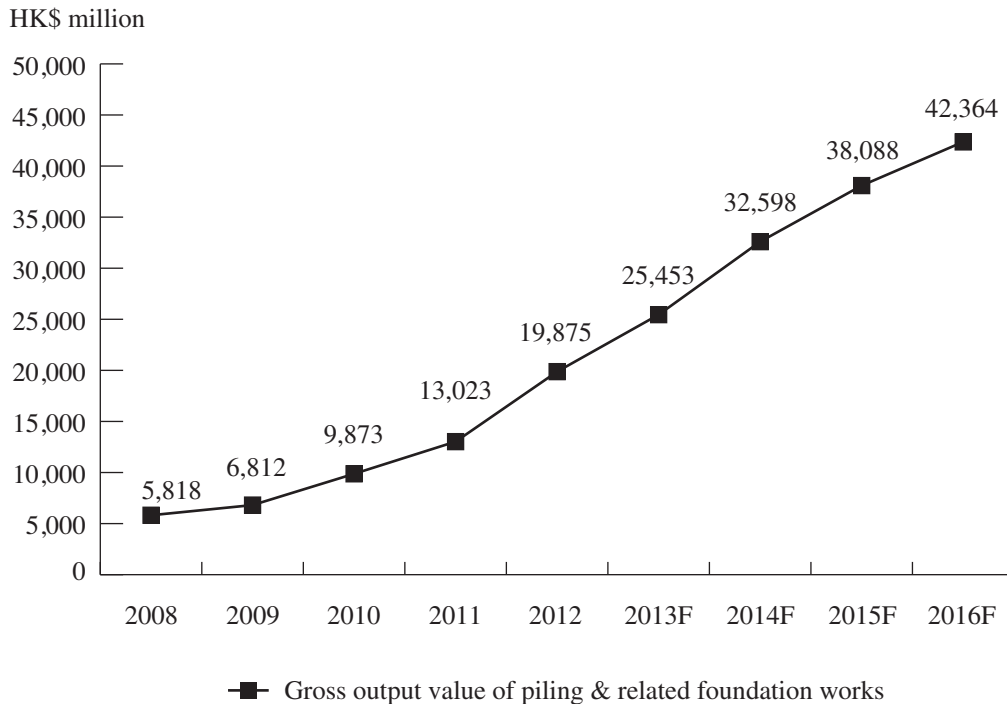
Demand for office buildings, retail space and residential buildings initiated by the developers has been rising. This drives the demand for the foundation industry. Meanwhile, the demand for foundation subcontracting services from Main Contractors has also been increasing with more Main Contractors outsourcing the foundation works. Requirements for choosing foundation contractors and subcontractors include reputation and credibility, financing capability, resources (both human and machinery), and flexibility.

## INDUSTRY OVERVIEW

### Estimated gross output value of foundation industry in Hong Kong

Supported by the government's initiatives in the development of major infrastructure projects, the estimated gross output value of piling and related foundation works of the foundation industry in Hong Kong is expected to increase at a CAGR of about 18.5% from 2013 to 2016.

**Estimated Gross Output Value of Piling and Related Foundation Works of Foundation Industry in Hong Kong from 2008 to 2016**



Sources: Ipsos Report

The estimated gross output value of piling and related foundation works of the foundation industry in Hong Kong increased dramatically from about HK\$5,817.6 million in 2008 to about HK\$19,874.8 million in 2012, at a CAGR of about 36.0%.

- Piling and related foundation works are the fundamental part of the construction industry; that is, the growth of the industry is directly affected by the whole construction industry. Therefore, the ten major infrastructure projects drove the dramatic growth of the gross output value, as 2010 to 2014 are roughly the years in which foundation works were and will be carried out for most of these projects.
- Similar to the growth in total gross output value of construction works performed by Main Contractors, the growth in gross output value of piling and related foundation works in the foundation industry was mainly driven by the public sector.

It is expected that the estimated gross output value of piling and related foundation works of the foundation industry in Hong Kong will grow at a slightly slower pace from about HK\$25.4 billion in 2013 to about HK\$42.3 billion in 2016, at a CAGR of about 18.5%.

## INDUSTRY OVERVIEW

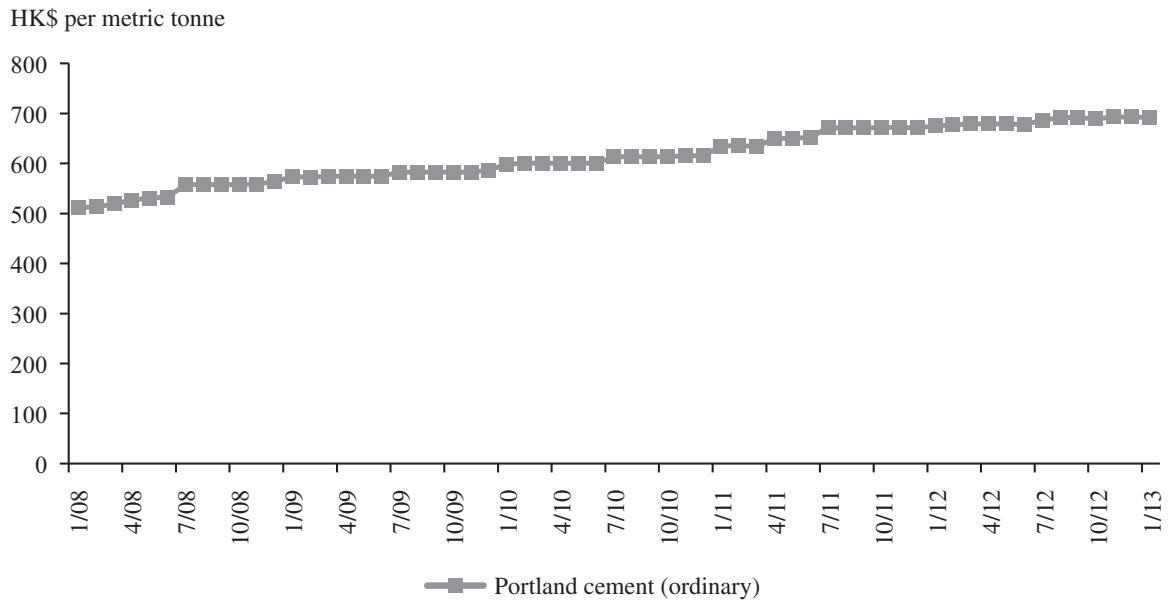
### Construction materials

Foundation works make use of a wide range of construction materials in construction projects. A wide range of construction materials such as steel, diesel fuel and cement are utilised in construction projects to form piles, walls, and supporting structures. Due to our Group's business nature, all steels such as the steel H-pile and mild steel casing are supplied by our customers. As a result, our Group only needs to bear mostly the costs of cement and diesel fuel as its construction materials throughout its operations.

### Cement

The average wholesale price of cement has experienced a steady growth in the past five years.

**Price Trend of Cement in Hong Kong from 2008 to 2012**



Sources: Ipsos Report

The average wholesale price of cement in Hong Kong increased moderately from about HK\$517 per metric tonne in January 2008 to about HK\$699 per metric tonne in December 2012.

It increased from an year average of about HK\$545.8 per metric tonne in 2008 to a year average of about HK\$584.1 per metric tonne in 2009, and further grew at about 4.4% to a year average of about HK\$612.7 per metric tonne in 2010. This trend continued. The average wholesale price of cement increased from a year average of about HK\$662.9 per metric tonne in 2011 to a year average of about HK\$690.3 per metric in 2012, up by about 4.1%.

- Unlike the case of the steel reinforcements, the global economy does not insert a significant impact on the average wholesale price of cement.

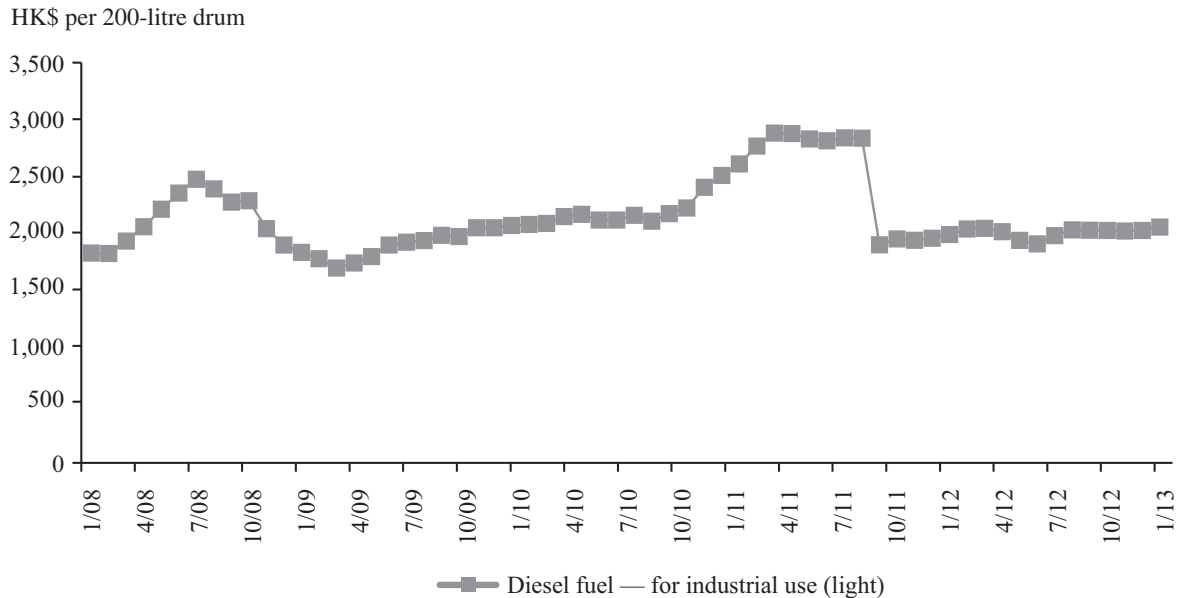
## INDUSTRY OVERVIEW

- As Mainland China was the key exporter of cement, the average wholesale price of cement was affected by the appreciation of the Renminbi, which has increased steadily in the past five years.

### ***Diesel Fuel***

The average wholesale price of diesel fuel in Hong Kong dropped dramatically in October 2011.

#### **Price Trend of Diesel Fuel in Hong Kong from 2008 to 2012**



Sources: Ipsos Report

The average wholesale price of diesel fuel in Hong Kong increased slightly from about HK\$1,858 per 200-litre drum in January 2008 to about HK\$2,053 per 200-litre drum in December 2012. However, it decreased from a year average of about HK\$2,164 per 200-litre drum in 2008 to a year average of about HK\$2,030 per 200-litre drum in 2012, at a CAGR of about -1.6%.

The average wholesale price of diesel fuel rose sharply from about HK\$2,257 per 200-litre drum in November 2010 to about HK\$2,916 per 200-litre drum in May 2011, up by about 29.2%, mainly due to the instability in Libya and the appreciation of the US dollars. In the past six to eight months, Libya has restored its output of diesel fuel to the pre-war levels, and hence the average wholesale price of diesel fuel has become more stable.



## INDUSTRY OVERVIEW

### **Future trends and developments of the foundation industry in Hong Kong**

Outsourcing and using environmental-friendly piling systems are the trends of the foundation industry in Hong Kong.

#### ***Outsourcing has become a trend in the foundation industry in Hong Kong***

Outsourcing foundation works from Main Contractors has become a trend in the foundation industry in Hong Kong. This is because outsourcing is beneficial to Main Contractor that they can have more control over their resources such as skilled labor and machinery. Also, outsourcing the foundation works is more cost-effective. Therefore, more Main Contractors outsource their foundation works in the foundation industry in Hong Kong.

#### ***Foundation contracting service providers prefer operating piling systems with less noise and vibration generated during operation***

Piling systems, such as socketed H-piling system which produces less noise and vibration during operation, are more preferable in the foundation industry in Hong Kong. Generally, the foundation operation must be stopped if the Environmental Protection Department receives complaints from the public about the noise and vibration generated from foundation operations. This may postpone the timeline of the project, and it carries a penalty which should be borne by the Main Contractor. Therefore, piling systems with less noise and vibration generated during operation are more preferable in the foundation industry in order to avoid any delay in the project.

## **COMPETITIVE LANDSCAPE OF THE FOUNDATION INDUSTRY IN HONG KONG**

### **Competition situation**

The foundation industry is a specialised segment in the construction industry, and the competition for profitable projects is intensifying. Experienced and skilled specialists, possession of specialised machinery and reputation are our Group's competitive advantages in the foundation industry in Hong Kong. Further details on our competitive strengths are set out in to the section headed "Business — Competitive strengths" in this prospectus.

#### ***The foundation contracting service industry in Hong Kong is a specialized segment in construction industry***

The foundation industry in Hong Kong is being led by a few Main Contractors and is shared by a number of licensed foundation specific contractors and work service providers. There were about 131 registered foundation service providers registered in the Buildings Department in Hong Kong as at April 2013, and among these 131 registered contractors, about 38% of them were the Main Contractors who also offer foundation contracting services.

- The Main Contractors who also offer foundation contracting services are mainly applying such services in their own construction projects. They also recruit other foundation specific contracting companies to help them complete their foundation and piling works whenever necessary.

## INDUSTRY OVERVIEW

- The licensed foundation specific contractors and work service providers are mostly locally based contractors and service providers, nearly 95% of the total 131 registered contractors. They usually have their own skilled workers and machines for carrying out foundation and piling works. When they do not have enough resources to complete the foundation works on time, they contract and recruit each other to help in completion.

Apart from the private sector, there were a total of about 39 approved Special List contractors under the land piling work category of the Development Bureau as of June 2013 undertaking the public land piling works. With these 39 approved Special List contractors, about 92.3%, or 36 approved Special List contractors, of them were approved to be Special List Group II contractors who can carry out public works with contracts or sub-contracts of unlimited value; the remaining 7.7%, or 3 approved Special List contractors, were approved to be Special List Group I contractors who can only carry out public works with contracts or subcontracts up to HK\$3.4 million per contract.

### *The foundation contracting service industry in Hong Kong comprised of foundation contractors, subcontractors, and sub-subcontractors*

Subcontracting and sub-subcontracting are common in the foundation contracting service industry in Hong Kong. Foundation contractors, such as Contractor A, subcontract their works to subcontractors, such as our Group and its competitors. Details of Contractor A, and our Group's competitors are illustrated in the ranking tables in this section. Meanwhile these subcontractors sometimes also sub-subcontract their works to sub-subcontractors. Foundation contracting service providers who registered in the Buildings Department in Hong Kong may play the role of foundation contractors, subcontractors or sub-subcontractors in the foundation contracting service industry in Hong Kong.

- Our Directors confirmed that it is the business strategy of our Group for being a subcontractor in the foundation industry in order to avoid direct competition with our customers (the foundation contractors). By maintaining good relationship and avoiding competition with our major customers, we believe it will not undermine the Group's future business development, and instead we may take on more and larger foundation works from our customers as a result of the expected increase in demand for foundation services in Hong Kong and our competitive strengths and in turn achieve future revenue growth and securing source of revenue.

Registered in the Buildings Department in Hong Kong does not limit the foundation contracting service providers in their choice of carrying out different types of foundation work methods; however, foundation contracting service providers tend to focus on specific types of foundation work methods based on their experiences.

- Registered in the Buildings Department in Hong Kong is prerequisite for the foundation contracting service providers to carry out foundations works in Hong Kong. Such registration does not limit the foundation contracting service providers in performing different types of foundation work methods. Usually, the foundation contracting service providers choose to focus on one to four types of foundation works amongst different foundation work methods. Bored piles, socketed H-piles and mini-piles are more commonly used foundation work methods in Hong Kong, while our Group focuses on socketed H-piles and mini-piles.

## INDUSTRY OVERVIEW

### *As construction costs increase, the competition for profitable projects is intensifying*

Many foundation service providers are interested in capturing projects in the private high-end or luxury building sectors and especially the ten infrastructure projects. A strong track record, strong project management skills, work quality and great flexibility are main selection criteria of customers (Main Contractors or foundation contractors) for foundation and piling works in Hong Kong.

### **Factors of competition**

Reputation, being qualified to perform different types of commonly used foundation work methods, relationship with customers, flexibility and price are the key factors of competition in the foundation industry in Hong Kong.

#### *Reputation on track records*

The reputation and credibility of a foundation service provider is based on their track record from the previous projects. Aspects of consideration include the timeliness of delivery, quality of work, capability for innovative design, safety and environment requirement fulfillments. Foundation service providers with a strong reputation and credibility are able to gain trust from property developers and Main Contractors. This can increase the likelihood of winning projects.

#### *Being qualified to perform different types of commonly used foundation work methods*

Registered in the Buildings Department in Hong Kong is prerequisite for foundation contracting service providers to carry out foundations works in Hong Kong; while foundation contracting service providers are qualified to perform specific types of foundation work methods, highly based on their experiences. Foundation contracting service providers thus appear to be more competitive if they are experienced to carry out different types of the work methods which are commonly used in Hong Kong.

#### *Relationship with customers*

Foundation service providers are generally more competitive if they have good relationships with Main Contractors. Main Contractors are more confident in outsourcing projects to foundation service providers if they have previously worked well together.

#### *Flexibility*

Foundation service providers who have greater flexibility in fulfilling the timeline of Main Contractors are more likely to win projects. That is, they have a higher capability of resource allocation including skilled workers and machinery, so as to fulfill the timeline set by Main Contractors. Fulfilling the timeline of Main Contractors is important in the foundation industry as any delay in timeline carries a penalty which should be borne by the Main Contractor.

#### *Price*

Price is an important concern for property developers and Main Contractors. Generally, customers feel that foundation service providers who offer the lowest price but retain quality assurance and work and service value, are the most competitive.

## INDUSTRY OVERVIEW

### **Market entry barriers**

Knowledge and qualification, relationship with Main Contractors, capital, and flexibility are the major market barriers for new entrants in the foundation industry in Hong Kong.

#### ***Specialised knowledge and qualification***

Foundation works is a specialists in the construction industry in Hong Kong. Foundation service providers should possess specialised knowledge to provide ongoing supervision and professional work in accordance with the Buildings Ordinance. Also, specialised knowledge is required to efficiently complete the foundation work, lowering the possibility of unstable buildings or infrastructure and accidents at construction sites. Hence, foundation service providers without specialized knowledge on building construction services would find it difficult to enter the industry. Foundation service providers should possess the qualification of registered specialist contractors (foundation works) to provide such services in Hong Kong.

#### ***Relationship with Main Contractors***

There are a number of Main Contractors in the construction industry who are affiliated with major property developers in Hong Kong. This relationship enables and increases the likelihood of these Main Contractors and property developers working together on projects. Therefore, trust and having good relationships with Main Contractors is important for winning foundation work projects. This poses an entry barrier to newly established foundation service providers who have yet to built sound relationships.

#### ***Substantial initial and continued capital***

Strong substantial initial and continued capital of foundation service providers is essential to guarantee payment to purchase or rent specialised machinery for work, to specialists (e.g. foreman, machinery operators and technical personnel) wages, to subcontractors and suppliers as inability to settle payment on time may defer the construction schedule and led to a decrease in creditability. Such poses barriers for new foundation service providers to enter into the industry.

#### ***Specialised machinery for better flexibility***

Purchasing or owning specialised machinery allow foundation work provides greater flexibility in resource allocation to fulfill the needs and timeline of different projects. However, large amounts of capital are needed to invest in owning and operating specialised machinery such as crawler cranes, air compressors, hydraulic crawler drills, excavators, pile drivers, and related accessory equipment for foundation works. Such significant amounts of machinery investment could hinder new foundation service providers from entering into the industry.

## INDUSTRY OVERVIEW

### **Market opportunities**

#### ***Development plans initiated by the Hong Kong government***

The Hong Kong government development plans for the ten infrastructure projects and the fulfillment in residential property demands provide opportunities to the foundation industry. The Hong Kong government has secured land for developing about 75,000 units of new Public Rental Housing flats for the next 5 years from the year of 2012–13 and about 17,000 units of Home Ownership Scheme flats for the next 4 years from the year of 2016–17. Furthermore, an increased amount of land will be supplied for residential purposes, especially for affordable small and medium-sized housing units in the market.

In the 2012–13 Hong Kong government's Budget, the Hong Kong government reiterated its commitment to infrastructure investment, including the Hong Kong-Zhuhai-Macau Main Bridge, the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Kai Tak Development Plan Stage One. A record of about HK\$62.3 billion will be allocated on infrastructure investment in FY2012–13, up from about HK\$58 billion in FY2011–12.

#### ***Growth in population***

The demand for residential properties increases with the growth in population. The Hong Kong population is estimated to reach about 8.6 million by 2036. The increasing population is driving demand for residential housing in Hong Kong. The following government plan and support initiatives will raise the demand for foundation services in the next 5 years:

- The Hong Kong government has pledged to provide sufficient land for housing development, including increasing the supply of government land for MTR projects and the Urban Renewal Authority (URA). In addition, it also plans to study the feasibility of increasing the supply of small to medium-sized flats. As a whole, about 30,000 residential units in the private sector are expected to be offered over the next three to five year starting from 2012.
- Also, the Hong Kong government has launched new housing policies in its 2012–2013 Policy Address to provide housing land for about 53,800 units in the North East New Territories New Development Areas. The first batch of residential units will be completed in 10 years.

#### ***Increase in hotel building projects***

The loosened restrictions for Chinese residents to visit Hong Kong will continue to attract Chinese tourists to visit Hong Kong. Therefore, new hotels are expected to be built to accommodate the increasing number of visitors. A number of hotel projects are in the pipeline for construction, and it is expected that there will be around 241 and 261 hotels in Hong Kong by the end of 2013 and 2014 respectively. For example, the Hotel by Dorsett Hospitality International at Tippy Tower, Hotel by Dorsett Hospitality International at the Big Orange Building, Regal iClub will be opened in 2014.

## INDUSTRY OVERVIEW

### *Redevelopment of old buildings*

Despite the growing demand for housing and offices, the limited supply of new land will slow down the development of new commercial and residential buildings. Instead, the revitalisation of industrial buildings and redevelopment of old residential buildings will provide new opportunities for the building construction service industry in Hong Kong. Offices and hotels in particular will re-use old industrial buildings to accommodate the growing demand.

### *PRC government policies and regulations*

The PRC government has launched measures to cool the property market in China, including limits on multiple-home ownership and raises the interest rates. These policies have driven Mainland Chinese investors to develop properties and buy properties overseas. Hong Kong is the most popular destination for Mainland Chinese investors as it is nearby and also a free port. In addition, the pegged Hong Kong currency with US dollar and the appreciation of Renminbi generates a favorable environment for property investments in Hong Kong. In 2012, roughly HK\$247.8 billion were investments in property market in Hong Kong, including development and purchase of properties.

### **Market threats**

#### *Increasing construction costs*

The costs of major building materials, such as cement, have increased at a CAGR of about 6.0% from 2008 to 2012. The increasing trend of the costs of building materials is due to inflation and the appreciation of the Renminbi as most of the construction materials in Hong Kong are imported from China. It is estimated that material costs, such as steel, will increase at an annual rate of about 5% to 10%, while the average cost of labor will increase by about 2 to 3% in the next few years. Inflation, coupled with increase in material prices and wages is expected to increase total cost for foundation works over the next few years.

#### *Insufficient experienced and skilled labors*

The declining number of young people entering the construction market, coupled with the large-scale construction projects going on in Hong Kong and Macao have raised the demand for construction workers and raised the labor costs in the region. The huge demand for construction workers will induce insufficient labor for skilled and experienced foundation workers, especially when these skilled and experienced foundation workers retire. The total estimated number of workers in foundation industry only increased at a CAGR of about 5.8% from 2008 to 2012. This may threaten the development of the foundation industry in Hong Kong.

## INDUSTRY OVERVIEW

### The seven largest foundation contractors in the foundation industry in Hong Kong

The seven largest foundation contractors shared around 39.0% of the total value of foundation works in Hong Kong in 2012. The following table sets forth the information on the seven largest foundation contractors in foundation industry in Hong Kong:

Rank	Name of company	Headquarter location	Revenue in 2012 (HK\$ million)	Share of total industry revenue (%)	Key business coverage
1	Contractor A <sup>1</sup>	Hong Kong	~2,219	11.2%	Hand dug caisson, large diameter bored pile (with bell-out), mini-pile, precast prestressed tubular pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile, steel tubular pile
2	Contractor B	Hong Kong	~1,391	7.0%	Barrette pile, hand dug caisson, large diameter bored pile (with bell-out), mini-pile, non-percussion cast-in-situ concrete pile, percussion cast-in-situ concrete pile, precast prestressed tubular pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile, steel tubular pile
3	Contractor C	Hong Kong	~1,051	5.3%	Large diameter bored pile (with bell-out), mini-pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile
4	Contractor D <sup>1</sup>	Hong Kong	~1,034	5.2%	Hand dug caisson, large diameter bored pile (with bell-out), precast concrete pile, precast prestressed tubular pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile, steel tubular pile
5	Contractor E	Hong Kong	~867	4.4%	Hand dug caisson, large diameter bored pile (with bell-out), large diameter bored pile, precast prestressed tubular pile, steel H-pile
6	Contractor F <sup>1</sup>	Hong Kong	~648	3.3%	Percussion cast-in-situ concrete pile, hand dug caisson, large diameter bored pile (with bell-out), mini-pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile
7	Contractor G	Hong Kong	~521	2.6%	Large diameter bored pile (with bell-out), mini-pile, precast prestressed tubular pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile
Others			~12,144	61.0%	
Total			19,875	100%	

Sources: Ipsos Report

Notes:

- (1) Contractors A, D and F are our five largest customers during the Track Record Period. The section headed “Business — Customers — Major customers” in this prospectus set out further details on our major customers.
- (2) The total revenue in 2012 is the revenue generated from the whole foundation industry in Hong Kong in 2012.

## INDUSTRY OVERVIEW

### The five largest foundation subcontractors in the foundation industry in Hong Kong

The following table sets forth the information on the five largest foundation subcontractors (including our Group) in the foundation industry in Hong Kong:

Rank	Name of company	Headquarter location	Revenue in 2012 (HK\$ million)	Share of total industry revenue (%)	Key business coverage
1	Our Group	Hong Kong	356	1.8%	Socketed H-piling, mini-piling, soldier piles, and king posts
2	Competitor A	Hong Kong	~350	1.8%	Ground investigation, bored piling works, mini piling works, socketed H-piling works and site formation
3	Competitor B	Hong Kong	~280	1.4%	Ground investigation, drill piling works, general building works, and geotechnical services
4	Competitor C	Hong Kong	~200	1.0%	Ground investigation, bored piling works, mini piling works, socketed H-piling works and site formation
5	Competitor D	Hong Kong	~65	0.3%	Ground investigation, bored piling works, mini piling works, socketed H-piling works and site formation
Others			<u>~18,604</u>	<u>93.6%</u>	
Total			<u><u>19,875</u></u>	<u><u>100%</u></u>	

Sources: Ipsos Report

Notes:

- (1) Part of the revenue of Competitor A generated from foundation projects in Macau, but the breakdown is not available due to limitation in reachable information.
- (2) This table aims to show the competition between foundation subcontractors, which have similar business model, nature and customers with our Group in the market. This table does not include the foundation work companies whose roles are foundation contractors, in majority of foundation contracting business, or sub-subcontractors, even these foundation work companies may account for a larger share than the companies ranked in the above table did.
- (3) The total revenue in 2012 is the revenue generated from the whole foundation industry in Hong Kong in 2012.
- (4) Limitation: The table is based on reachable/collectable information to defined players with majority of their business sources mainly from foundation contractors. Breakdown of the revenues generated from foundation contracting works, foundation subcontracting works and foundation sub-subcontracting works is not available under reachable/collectable information, because the information for foundation contracting works, foundation subcontracting works and foundation sub-subcontracting works from many foundation work companies are not able to separate or are unable to identify.
- (5) The foundation subcontractors disclosed on this table were chosen based on two main criteria — “major types of foundation work methods include socketed H-piling and/or mini-piling” and “majority of foundation subcontractors’ business are sourced from foundation contractors in foundation industry”. Ipsos confirmed that the foundation subcontractors stated on this table fulfilled these two main criteria after checking with their backgrounds.



## LAWS AND REGULATIONS

### HONG KONG LAWS

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

#### **Laws and Regulations in relation to Construction Labour, Health and Safety**

##### *Factories and Industrial Undertakings Ordinance*

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in the industrial undertakings. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include:

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

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

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

##### *Occupational Safety and Health Ordinance*

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

## LAWS AND REGULATIONS

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

- providing and maintaining plant and systems of work that are safe and without risks to health;
- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- as regards any workplace under the employer's control:
  - maintenance of the workplace in a condition that is safe and without risks to health; and
  - provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks;
- providing all necessary information, instructions, training and supervision for ensuring safety and health; and
- providing and maintaining a working environment for the employer's employees that is safe and without risks to health.

Failure to comply with any of 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 Commission for Labour may also issue an improvement notice against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and imprisonment of up to 12 months and HK\$500,000 and imprisonment of up to 12 months respectively.

### ***Employees' Compensation Ordinance***

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

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

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

Pursuant to Section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Where a 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 subcontractor(s) under the Employees' Compensation Ordinance and at common law.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 and to imprisonment for 2 years.

### *Employment Ordinance*

A principal contractor shall be subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. According to Section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior subcontractor jointly and severally is/are liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. The liability of a principal contractor and superior subcontractor (where applicable) 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 works; 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 subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor 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 subcontractor to that subcontractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractor(s) shall be guilty of an offence and shall be liable on conviction to a fine at level 5.

Pursuant to Section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under Section 43C of the Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be. The principal contractor or superior subcontractor may either (1) claim contribution from every superior subcontractor to the employee's employer or from the

## **LAWS AND REGULATIONS**

principal contractor and every other such superior subcontractor as the case may be, or (2) deduct by way of setoff the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has sub-contracted.

### ***Occupiers Liability Ordinance***

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

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

### ***Immigration Ordinance***

According to Section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) shall 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***

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

## **Laws and Regulations in relation to Environmental Protection**

### ***Air Pollution Control Ordinance***

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

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation the Air Pollution Control (Open Burning) Regulation, the Air Pollution Control (Construction Dust) Regulation and the Air Pollution Control (Smoke) Regulations. The contractor responsible for a construction site shall devise, arrange methods of working and carry out

## LAWS AND REGULATIONS

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.

### *Noise Control Ordinance*

The Noise Control Ordinance controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Director of the Environmental Protection Department in advance.

Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment (other than percussive piling) are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Director of the Environmental Protection Department through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Director of the Environmental Protection Department.

Any person who carries out any construction work except as permitted is liable on first conviction to a fine of HK\$100,000 and on subsequent convictions 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*

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 the Environmental Protection Department.

All kind of effluent discharges, other than domestic sewage to a communal foul sewer and unpolluted water to a storm drain, should be covered by licence pursuant to the Water Pollution Control Ordinance.

According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for 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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### *Waste Disposal Ordinance*

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

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including without limitation 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, construction waste can only be disposed at designated prescribed facilities and a main contractor who undertakes construction work with a value of HK\$1 million or above will be required, within 21 days after being awarded the contract, to establish a billing account in respect of that particular contract with the Director of the Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that contract.

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

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of the Environmental Protection Department. A person who 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, and to a fine of HK\$500,000 and to imprisonment for 2 years for a second or subsequent offence.

### *Dumping at Sea Ordinance*

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

Under the Dumping at Sea Ordinance, a person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months on a first conviction; and to a fine of 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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### *Environmental Impact Assessment Ordinance*

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 otherwise exempted.

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

### *Contractor Licensing Regime*

Under the current contractors registration system in Hong Kong, the Building Authority shall keep a register of general building contractors who are qualified to perform the duties of a general building contractor and a register of specialist contractors who are qualified to carry out specialised works (such as foundation works) specified in the category in the sub-register in which they are entered.

Set out below are the requirements to register as a general building contractor, specialist contractor in foundation works, specialist contractor in site formation works and specialist contractor in ground investigation field works under the Buildings Department.

Under Section 8B(2) of the Buildings Ordinance, an applicant for registration as a registered general building contractor or registered specialist contractor must satisfy the Building Authority 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 plants 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.

## LAWS AND REGULATIONS

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

- (a) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance, hereinafter referred to as an ‘Authorised Signatory’;
- (b) for a corporation — a minimum of one director from the board of directors of the applicant, hereinafter referred to as a ‘Technical Director’ who is authorised by the board to:
  - (i) have access to plant and resources;
  - (ii) provide technical and financial support for the execution of building works and street works;
  - (iii) make decisions for the company and supervise the Authorised Signatory and other personnel;for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and
- (c) for a corporation which appoints a director who does not possess the required qualification or experience as Technical Director to manage the carrying out of building works and street works — an ‘Other Officer’ authorised by the board of directors to assist the Technical Director.

Mr. SC Wong is appointed as the Authorised Signatory and Technical Director to act for the purpose of the Buildings Ordinance for Ngai Shun. As advised by our Directors, other than Mr. SC Wong, our existing senior staff members including two senior project managers and one project manager, also possess the required competence and experience to act as the Authorised Signatory and the Technical Director.

In addition to the above key personnel, the applicant is also required to demonstrate that it has employed appropriate qualified staff to assist the applicant and the above key personnel to execute, manage and supervise the building works and street works.

For registration as a registered specialist contractor, the applicant must satisfy the Building Authority that it has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category and should also demonstrate that it has the access to engaging qualified persons to carry out the relevant specialised duties, e.g. competent person (logging) for ground investigation field works.

The Buildings Department imposes specific requirements on the directors of a contractor and the person appointed by the contractor to act for it for the purposes of the Buildings Ordinance.



## LAWS AND REGULATIONS

### ***Private Sector Foundation and Site Formation Projects***

Private sector foundation and site formation projects cover projects launched by private developers as well as any other entities not being Hong Kong government departments and statutory bodies, including but not limited to utility companies, charity organisations, and private educational institutions.

In order to undertake private sector foundation and site formation works as main contractor, a contractor must be registered with the Buildings Department as a registered specialist contractor under the categories of foundation works and site formation works, unless the main contractor subcontracts those works to a registered specialist contractor as described below.

Where the main contractor engages a registered specialist contractor under the categories of foundation works and site formation works to undertake foundation and site formation works, irrespective of whether such foundation and site formation works form the whole or part of the contract works, the main contractor itself would not be required to be a registered specialist contractor under the relevant category.

Subcontractors undertaking foundation and site formation works are required to be registered specialist contractors under the categories of foundation works and site formation works.

The registration requirements mentioned above are the basic requirements for undertaking private sector foundation and site formation construction projects. Other additional requirements on the main contractors or subcontractors may be imposed by the developers, main contractors, or other entities, as the case may be.

### ***Public Sector Foundation and Site Formation Projects***

Registration with the Buildings Department as a registered specialist contractor under the categories of foundation works and site formation works is one of the minimum requirements for contractors undertaking foundation and site formation works in the public sector under the Development Bureau.

Set out below are the further requirements for a registered specialist contractor under the categories of foundation works and site formation works to undertake foundation work and site formation work projects of the Development Bureau:

#### *Development Bureau projects*

If a contractor wishes to carry out public land piling works of the Development Bureau, it must be included in either “Group I” or “Group II” of the List of Approved Suppliers of Materials and Specialist Contractors for Public Works (the Specialist List) which is administered by the Works Branch of the bureau under the category of “Land Piling” in respect of the relevant piling system. The scope of work in this category covers design, supply and installation of registered piling systems on land. Specialist List Group I Land Piling contractors can undertake foundation contracts/subcontracts of a value up to HK\$3.4 million while Specialist List Group II Land Piling contractors can undertake foundation contracts/subcontracts of unlimited value.

## LAWS AND REGULATIONS

Contractors are required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the approved lists and for the award of public works contracts. For retention on the Specialist List, a contractor should generally possess at least a positive capital value. In addition, a contractor is required to maintain certain minimum levels of employed and working capital and annual turnover applicable to the appropriate category and group.

In granting a registration/approval to a foundation contractor, the Works Branch takes into consideration, among others, (i) the contractor's financial strength; (ii) the contractor's technical experience and management capability; (iii) the machinery and equipment maintained by the contractor; and (iv) the job references from customers.

For promotion and retention as an approved contractor on the Specialist List (Group II — Land Piling category — “Rock-socketed Steel H-pile in Pre-bored Hole” system and “Minipile” piling system), Ngai Shun is required to meet the minimum financial criteria and other requirements as follows:

1. Minimum employed capital

HK\$9,300,000 plus a minimum annual turnover of HK\$50 million in each of the immediate past three years.

2. Minimum working capital

HK\$8,600,000 or 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors, whichever is higher.

3. Minimum technical and management criteria/other requirements

- (1) a registered specialist contractor in the foundation sub-register under Buildings Ordinance (Cap. 123).
- (2) possess Quality Management System certificates issued under the rules of the Hong Kong Certification Body Accreditation Scheme (“HKCAS”) operated by the Hong Kong Accreditation Service, i.e. bearing the HKCAS Accreditation Mark, and Quality Management System certificates bearing the accreditation mark of other accreditation bodies which are considered as having an equivalent standard by the Environment, Transport and Works Bureau. The scope of certification shall be relevant to the piling system under application.
- (3) Top management: at least one member of the resident top management with a minimum of five years local experience in managing a construction firm obtained in the past eight years.
- (4) Technical staff: at least two persons with a relevant degree from a Hong Kong university or equivalent with at least five years post-graduate local experience in piling works. Top management shall be the president, chairman, director, managing director, executive director or general manager etc.

## LAWS AND REGULATIONS

- (5) Job experience: have completed at least 3 medium/large size local projects (of value above HK\$3 million each) with good references.
- (6) Plant and equipment: appropriate equipment for each system (at least one set for each system).

The plant and equipment requirements are subject to modification as technology advances and as new plant emerges. Furthermore, the type of materials and method of application that the contractors select will dictate the plant required.

- (7) Office/workshop facilities: Local office required and yard facilities available.
- (8) Others: Piling system to be registered: (a) method statement; (b) typical calculations; (c) acceptable references; and (d) satisfactory demonstration on site.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Ngai Shun has met the criteria and requirements on retention on the Specialist List that are applicable to Ngai Shun.

Pursuant to a technical circular issued by Works Branch (the Environment, Transport and Works Bureau at the time of issue of the technical circular) on 14 June 2004, all capital works and maintenance works contracts of the government with tenders to be invited on or after 15 August 2004 shall require the contractor to employ all subcontractors (whether nominated, specialist or domestic) that are registered from the respective trades available under the Primary Register of the Voluntary Subcontractor Registration Scheme introduced by the Provisional Construction Industry Co-ordination Board (臨時建造業統籌委員會) whose work was taken over by the Construction Industry Council (建造業議會) in February 2007.

### *Regulatory actions against contractors by the Development Bureau*

The Development Bureau may take regulatory actions against contractors for 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 the Employment Ordinance and employment of illegal works etc.

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

## HISTORY AND CORPORATE STRUCTURE

### OUR HISTORY

Our history can be traced back to the 1980s, when Ngai Shun Construction and Drilling Co. was established as a partnership by Mr. Lam and Ms. Tse Lai Fong, who is the mother of Mr. SC Wong, Mr. SL Wong, Mr. SY Wong and Mr. SS Wong and the wife of the late Mr. Wong Yuet Sang, which Mr. Lam and Mr. Wong Yuet Sang jointly managed the partnership to carry out site investigation and grouting work business. Ngai Shun Construction and Drilling Co., as confirmed by our Directors, was operated as a partnership until the commencement of operation of Ngai Shun in Hong Kong as a limited liability company in 1998 where Mr. Wong Yuet Sang, Mr. SC Wong, Mr. Lam and Mrs. Lam were the shareholders of Ngai Shun. Details are set out in the paragraph headed “Our major operating subsidiary” below.

### Development

Ngai Shun is principally engaged in foundation business in Hong Kong and it has been registered with the Buildings Department as a registered specialist contractor in the foundation works and ground investigation field works. Ngai Shun is also on the Development Bureau’s List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Group II land piling contractor for Mini-Piles and Rock-socketed Steel H-pile in Pre-bored Hole. With such licences and approval, Ngai Shun is able to act as contractor for both private and public sector foundation piling contracts in Hong Kong which such licence permits.

During the Track Record Period and up to the Latest Practicable Date, Ngai Shun had completed 51 foundation projects and our Group’s revenue generated and recorded during the Track Record Period amounted up to approximately HK\$810.7 million.

Awards received by Ngai Shun include the Model Subcontractor Award 2011 awarded by the Development Bureau and the Construction Industry Council in 2012.

Our Company was incorporated in the Cayman Islands with limited liability on 3 April 2013. Our Company completed the Corporate Reorganisation on 18 September 2013 in preparation for listing of the Shares on the Stock Exchange pursuant to which the Company became the ultimate holding company of our Group. Details of the Corporate Reorganisation are set out in the paragraph headed “Corporate reorganisation” in Appendix IV to this prospectus.

## HISTORY AND CORPORATE STRUCTURE

Our Group is principally engaged in foundation business in Hong Kong. Our Company has a direct wholly owned subsidiary incorporated in the BVI and an indirect wholly owned subsidiary incorporated in Hong Kong, Ngai Shun, which is the major operating subsidiary of our Group. Set forth below is a chronological overview of our key business milestones:

- 1983 Ngai Shun Construction and Drilling Co., a partnership, was set up
- 1998 Commencement of operation of Ngai Shun
- 2001 Ngai Shun was awarded the ISO 9001:2008 certificate by DNV
- 2012 Ngai Shun was awarded with the Model Subcontractor Award by the Development Bureau and the Construction Industry Council
- 2013 The full-time employees of Ngai Shun increased to over 180 as at 31 March 2013 and its annual revenue was approximately HK\$356.1 million for the year ended 31 March 2013.

Our Directors consider that the success of our Group is principally attributable to our (i) professional and experienced management, project management teams and machinery operators; (ii) streamlined organisational structure which allows us to make timely decisions; (iii) technical expertise for socketed H-piling; and (iv) quality employees. The meaning of “Ngai Shun” in Chinese is willpower, patience and integrity which symbolise the aspirations of our founders for their foundation business.

### OUR MAJOR OPERATING SUBSIDIARY

#### Ngai Shun

On 9 July 1997, Ngai Shun was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$100,000 divided into 100,000 ordinary shares of HK\$1.00 each.

On 9 July 1997, Mr. Wong Yuet Sang, Mr. SC Wong, Mr. Lam and Mrs. Lam subscribed 40,000, 10,000, 35,000 and 15,000 fully paid ordinary shares of Ngai Shun, respectively. Mr. Wong Yuet Sang is the father of Mr. SC Wong, Mr. SL Wong, Mr. SY Wong and Mr. SS Wong whereas Mrs. Lam is the wife of Mr. Lam.

As at the commencement date of the Track Record Period, Ngai Shun had an authorised share capital of HK\$10,000,000 divided into 10,000,000 ordinary shares of HK\$1.00 each, all of which had been issued and fully paid up and were owned by Mr. Lam, Mrs. Lam and Mr. SC Wong as to 35% (or 3,500,000 shares), 15% (1,500,000 shares) and 50% (or 5,000,000 shares), respectively.

Among the 5,000,000 ordinary shares held by Mr. SC Wong, 2,000,000 ordinary shares were held by Mr. SC Wong beneficially, and 1,000,000, 1,000,000 and 1,000,000 ordinary shares were held by Mr. SC Wong on trust for Mr. SL Wong, Mr. SS Wong and Mr. SY Wong, respectively.

## HISTORY AND CORPORATE STRUCTURE

On 11 December 2012, Mr. SS Wong transferred his beneficial interest in the 1,000,000 ordinary shares to Mr. SY Wong by way of deed of gift as a family arrangement. Immediately after the transfer of beneficial interest of the shares under the deed of gift, among the 5,000,000 ordinary shares held by Mr. SC Wong, 2,000,000 ordinary shares are held by Mr. SC Wong beneficially, and 1,000,000 and 2,000,000 ordinary shares are held by Mr. SC Wong on trust for Mr. SL Wong and Mr. SY Wong, respectively. Pursuant to the declarations of trust and the nominee shareholding agreements made by Mr. SC Wong, Mr. SL Wong and Mr. SY Wong in respect of the above trust arrangements, Mr. SC Wong shall deal in the shares on the instructions of Mr. SL Wong and Mr. SY Wong, respectively and will attend and vote at the meetings of shareholders at Mr. SC Wong's discretion if no direction has been given by Mr. SL Wong and Mr. SY Wong respectively.

On 27 February 2013, Mrs. Lam transferred her 1,500,000 ordinary shares (or 15%) of Ngai Shun to Mr. Lam by way of a deed of gift as a family arrangement and resigned as a director of Ngai Shun given her passive role in the management of Ngai Shun.

The Corporate Reorganisation which was effected in preparation for the Listing, whereby our Company became the holding company of our Group, included the following major steps:

- (1) On 5 December 2012, Prime Colour was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. On 3 April 2013, 100 fully paid ordinary shares of Prime Colour, representing 100% of the issued share capital of Prime Colour, were allotted and issued to Mr. SC Wong. Among the 100 ordinary shares (100%) held by Mr. SC Wong, 40, 20 and 40 fully paid ordinary shares of Prime Colour, representing 40%, 20% and 40% of the issued share capital of Prime Colour, were allotted and issued to Mr. SC Wong (held by Mr. SC Wong beneficially), and held by Mr. SC Wong on trust for Mr. SL Wong and Mr. SY Wong, respectively under two declarations of trust dated 3 April 2013 made by Mr. SC Wong for Mr. SL Wong and Mr. SY Wong, respectively. Pursuant to the said declarations of trust, Mr. SC Wong may not deal in the shares and the dividends and interest payable in respect of the shares or exercise any interest or rights by virtue thereof except on the instruction of Mr. SL Wong and Mr. SY Wong, respectively, and shall attend and vote at all meetings of Prime Colour, and will execute any proxy form or document necessary to enable Mr. SL Wong or Mr. SY Wong (as the case may be) to vote at any meeting of Prime Colour, in accordance with the instructions of Mr. SL Wong or Mr. SY Wong (as the case may be).
- (2) On 11 December 2012, Splendid Core was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of par value of US\$1.00 each. On 3 April 2013, one fully paid ordinary share of Splendid Core, representing the entire issued share capital of Splendid Core, was allotted and issued to Mr. Lam.
- (3) On 2 January 2013, Fabulous Business was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. On 3 April 2013 and 2 September 2013 respectively, each of Prime Colour and Splendid Core was allotted and issued in aggregate 10 fully paid ordinary shares of Fabulous Business, each representing 50% of the issued share capital of Fabulous Business.

## HISTORY AND CORPORATE STRUCTURE

- (4) On 2 January 2013, Pearl Swirls was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. One fully paid ordinary share of Pearl Swirls, representing the entire issued share capital of Pearl Swirls, was allotted and issued to Fabulous Business on 3 April 2013.
- (5) On 3 April 2013, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 per share. One nil paid Share was allotted and issued to the subscriber to the memorandum and articles of association of the Company, which was later transferred to Fabulous Business on 3 April 2013.
- (6) On 3 September 2013, Pearl Swirls as purchaser and Mr. SC Wong, Mr. SL Wong, Mr. SY Wong and Mr. Lam as vendors and Fabulous Business entered into a sale and purchase agreement, pursuant to which Pearl Swirls acquired the beneficial interest of each of:
  - (i) 2,000,000 ordinary shares (or 20%) of Ngai Shun from Mr. SC Wong and as consideration for which 20 shares of Fabulous Business were allotted and issued to Prime Colour (as directed by Mr. SC Wong), all credited as fully paid;
  - (ii) 1,000,000 ordinary shares (or 10%) of Ngai Shun from Mr. SL Wong and as consideration for which 10 shares of Fabulous Business were allotted and issued to Prime Colour (as directed by Mr. SL Wong), all credited as fully paid;
  - (iii) 2,000,000 ordinary shares (or 20%) of Ngai Shun from Mr. SY Wong and as consideration for which 20 shares of Fabulous Business were allotted and issued to Prime Colour (as directed by Mr. SY Wong), all credited as fully paid; and
  - (iv) 5,000,000 ordinary shares (or 50%) of Ngai Shun from Mr. Lam and as consideration for which 50 shares of Fabulous Business were allotted and issued to Splendid Core (as directed by Mr. Lam), all credited as fully paid.

Upon completion of the aforesaid share transfers, Pearl Swirls held an aggregate of 10,000,000 ordinary shares of Ngai Shun, being the entire issued share capital of Ngai Shun, and Ngai Shun became a wholly-owned subsidiary of Pearl Swirls.

- (7) On 18 September 2013, Fabulous Business as vendor, the Company as purchaser and Mr. SC Wong, Mr. SY Wong, Mr. Lam and Fabulous Business as warrantors entered into a sale and purchase agreement, pursuant to which the Company acquired the entire issued share capital of Pearl Swirls, and as consideration for which (i) the one nil paid Share held by Fabulous Business was credited as fully paid, and (ii) 9,999 Shares were allotted and issued to Fabulous Business, all credited as fully paid.

Immediately after completion of the share transfer referred to in item (7) above, our Company became the holding company of our Group.

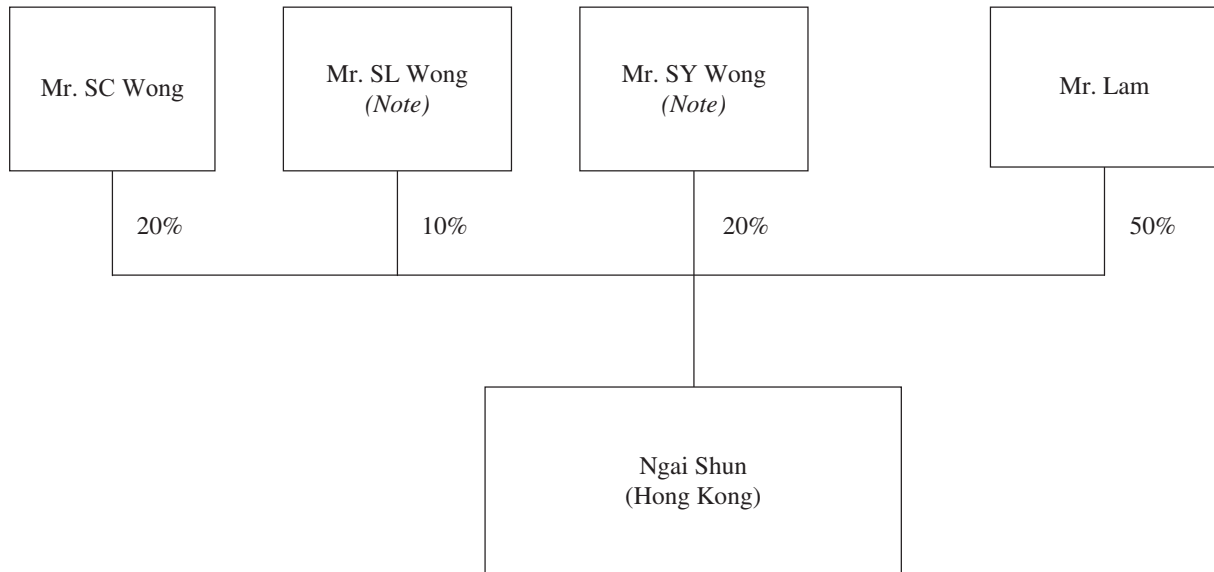
## HISTORY AND CORPORATE STRUCTURE

### OUR GROUP STRUCTURE

As part of the Corporate Reorganisation, a number of share transfers had been effected. Upon completion of the Corporate Reorganisation on 18 September 2013 in preparation for the Listing, our Company became the holding company of our Group.

Details of the Corporate Reorganisation are set out in the paragraph headed “Corporate Reorganisation” in Appendix IV to this prospectus.

The following diagram sets out the corporate structure of the Group immediately before the implementation of the Corporate Reorganisation.



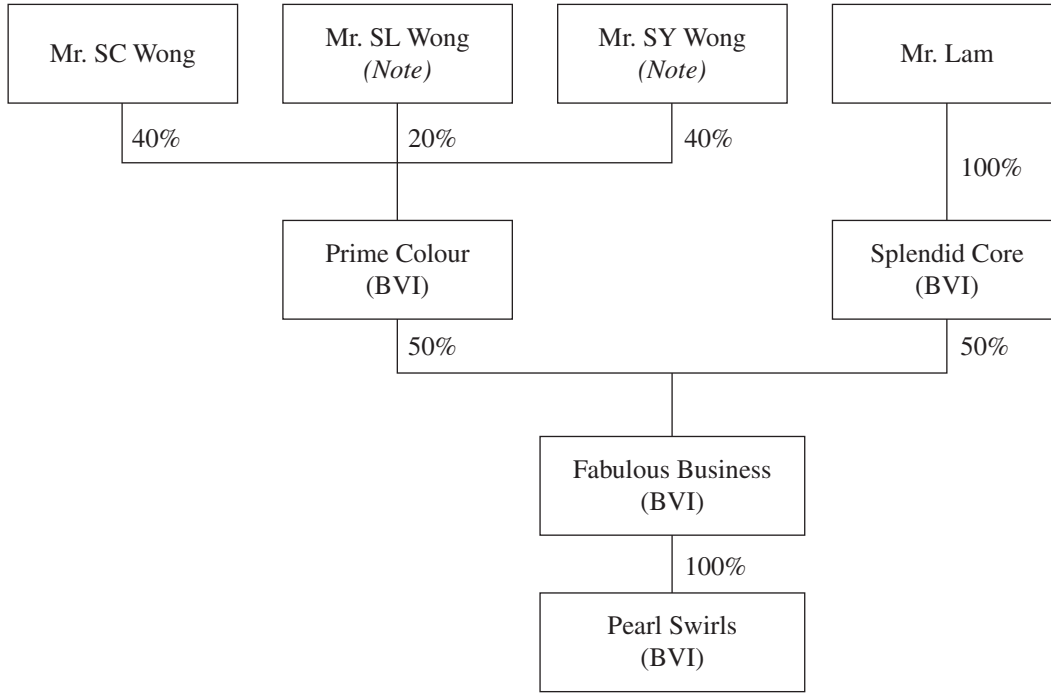
*Note:* 1,000,000 (10%) and 2,000,000 (20%) ordinary shares of Ngai Shun were held by Mr. SC Wong on trust for Mr. SL Wong and Mr. SY Wong, respectively.



## HISTORY AND CORPORATE STRUCTURE

Step 1: Subscription of shares of Prime Colour, Splendid Core, Fabulous Business and Pearl Swirls

The following diagram sets out the corporate structure immediately after the subscription of shares of Prime Colour, Splendid Core, Fabulous Business and Pearl Swirls.

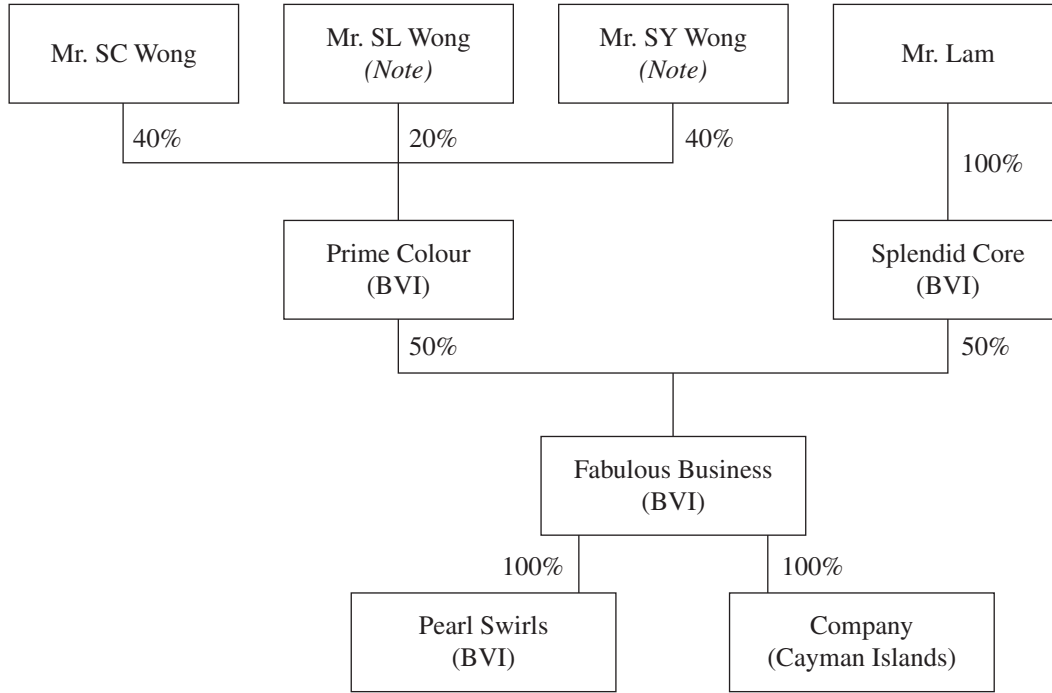


*Note:* 20 (20%) and 40 (40%) ordinary shares of Prime Colour are held by Mr. SC Wong on trust for Mr. SL Wong and Mr. SY Wong, respectively.

## HISTORY AND CORPORATE STRUCTURE

### Step 2: Incorporation of the Company

The following diagram sets out the corporate structure immediately after the incorporation of the Company.

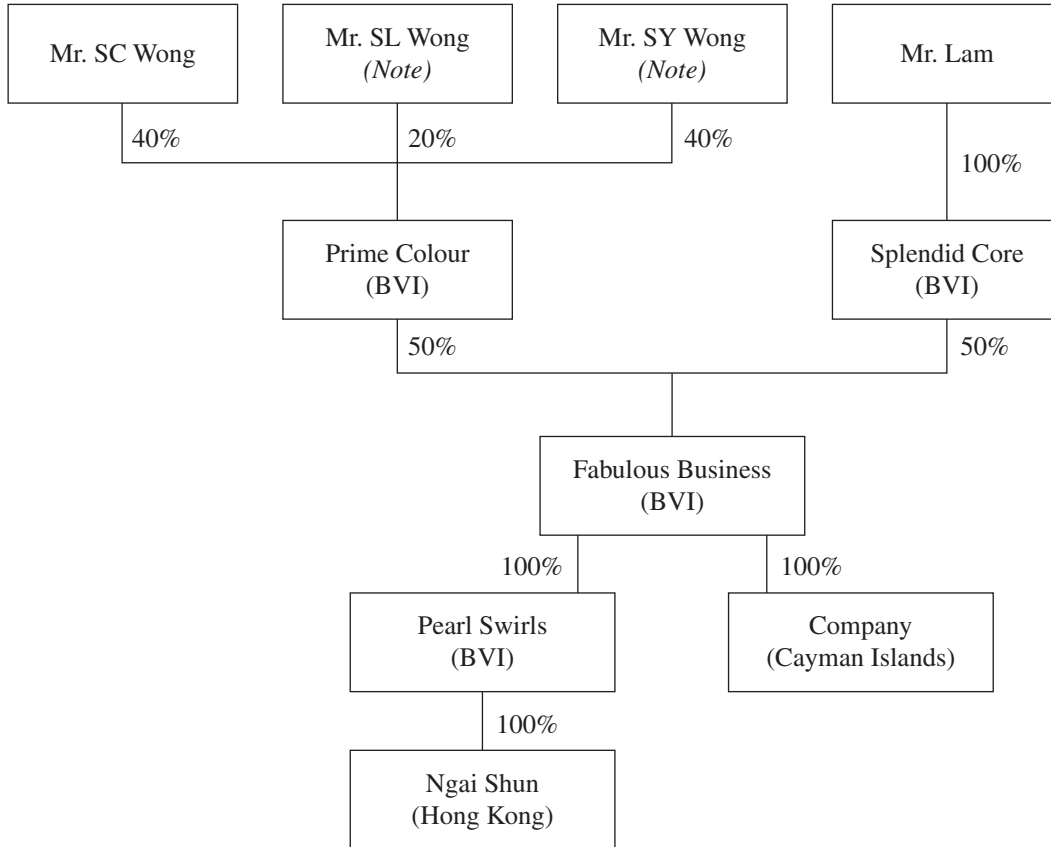


*Note:* 20 (20%) and 40 (40%) ordinary shares of Prime Colour are held by Mr. SC Wong on trust for Mr. SL Wong and Mr. SY Wong, respectively.

## HISTORY AND CORPORATE STRUCTURE

### Step 3: Acquisition of the entire issued share capital of Ngai Shun by Pearl Swirls

The following diagram sets out the corporate structure immediately after acquisition of the entire issued share capital of Ngai Shun by Pearl Swirls.

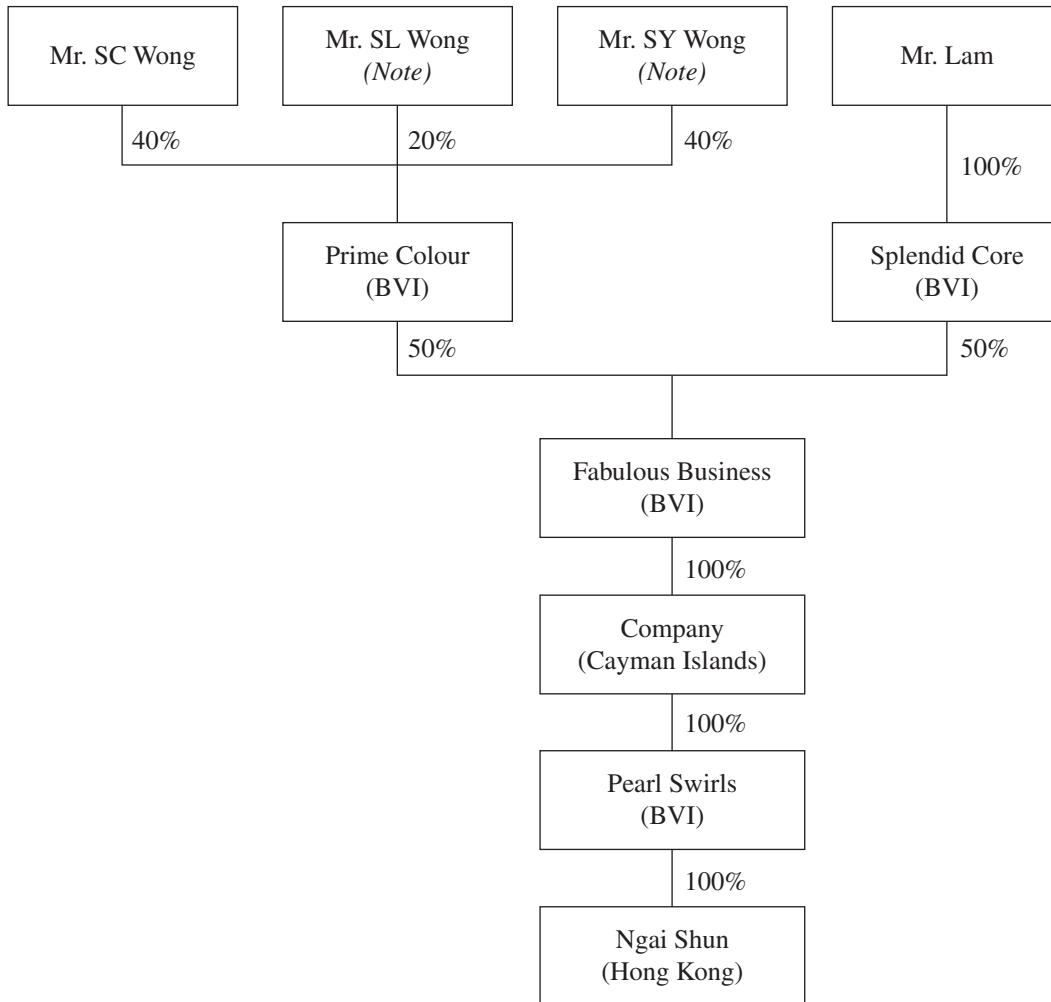


*Note:* 20 (20%) and 40 (40%) ordinary shares of Prime Colour are held by Mr. SC Wong on trust for Mr. SL Wong and Mr. SY Wong, respectively.

## HISTORY AND CORPORATE STRUCTURE

Step 4: Acquisition of the entire issued share capital of Pearl Swirls by the Company

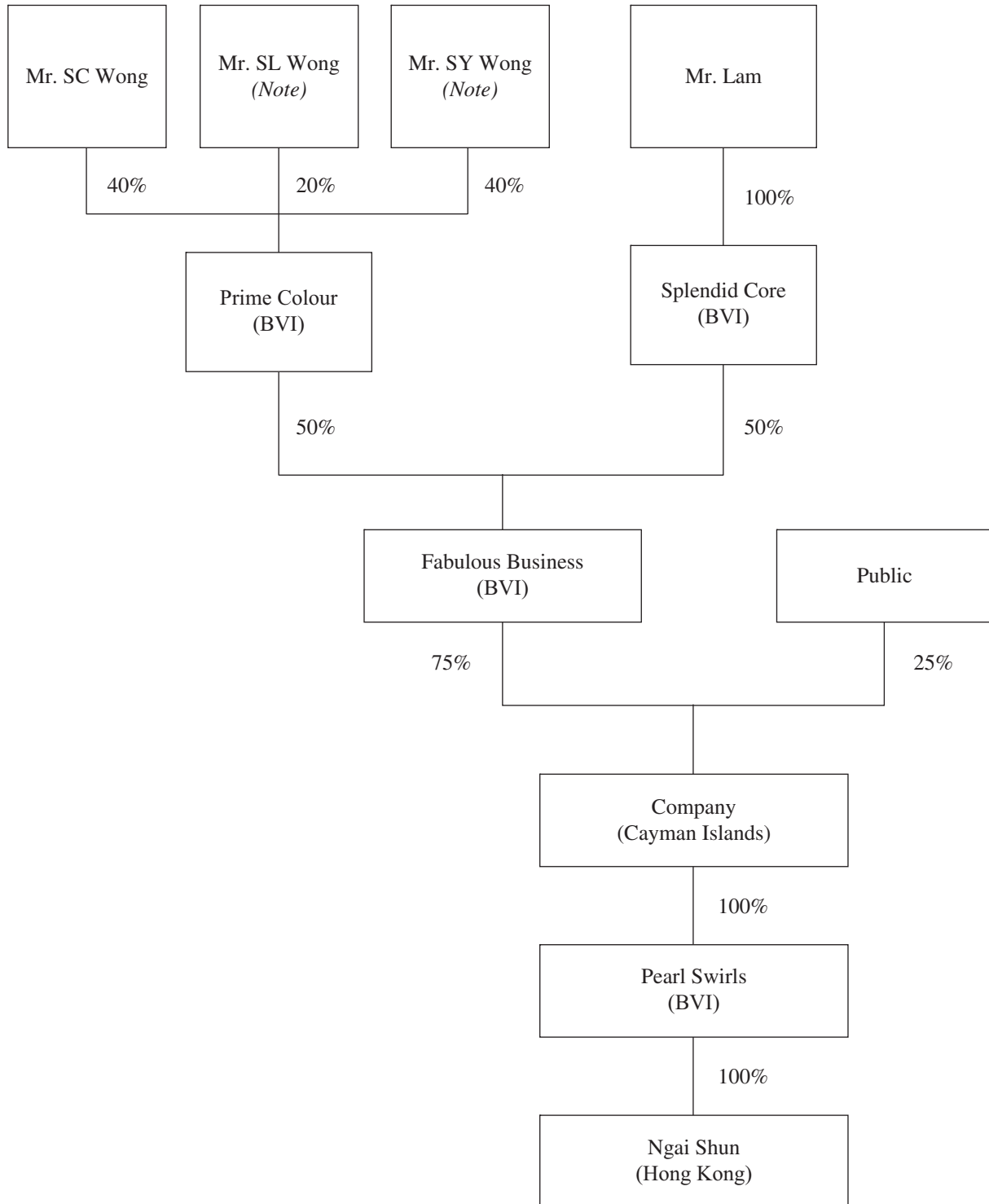
The following diagram sets out the corporate structure of the Group immediately after the completion of the Corporate Reorganisation (i.e. acquisition of the entire issued share capital of Pearl Swirls by the Company) and before the Share Offer.



*Note:* 20 (20%) and 40 (40%) ordinary shares of Prime Colour are held by Mr. SC Wong on trust for Mr. SL Wong and Mr. SY Wong, respectively.

## HISTORY AND CORPORATE STRUCTURE

The following diagram sets out the corporate structure of the Group immediately after completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised).



*Note:* 20 (20%) and 40 (40%) ordinary shares of Prime Colour are held by Mr. SC Wong on trust for Mr. SL Wong and Mr. SY Wong, respectively.

## OVERVIEW

We are principally engaged in the foundation business in Hong Kong as a foundation subcontractor. We had completed 51 foundation projects during the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, we have 14 foundation projects in progress and 5 foundation projects which are yet to commence, with a total subcontract sum of approximately HK\$742.4 million. Our projects in progress are expected to be completed during the period from September 2013 to September 2014. Further details of our foundation projects are set out in the section headed “Business — Construction works — Foundation projects” in this prospectus. According to the Ipsos Report, the revenue of our Group for the financial year ended 31 March 2013 represented around 1.8% of the total revenue generated from the whole foundation industry in Hong Kong in 2012. Our business is generally undertaken by our operating subsidiary, Ngai Shun, as a socketed H-piling specialist in various foundation projects.

The foundation works undertaken by us mainly include socketed H-piling, mini-piling and other relevant construction works such as soldier piles and king posts. We undertake foundation projects in both the public sector, including building and infrastructure related projects, and the private sector, which are mostly building related projects. Income from foundation works represented all of our revenues, which were derived in Hong Kong, for each of the three years ended 31 March 2011, 2012 and 2013 respectively. At times, we engage sub-subcontractors to perform a portion of the work under our contracts.

According to the Hong Kong Annual Digest of Statistics 2012 and the Hong Kong government’s budgets 2013/2014, it is estimated that the Hong Kong’s public expenditure on infrastructure will grow from approximately HK\$29.5 billion in 2008 to approximately HK\$76.1 billion in year 2013–14. In view of (i) the increasing public expenditure on infrastructure and our registration status with the Development Bureau and Buildings Department; and (ii) the current growth prospects for private development projects, our Directors expect there will be more opportunities for our foundation business in both public and private sectors and our revenue will grow steadily in future. Our revenues for the three years ended 31 March 2011, 2012 and 2013 were approximately HK\$ 205.0 million, HK\$249.6 million and HK\$356.1 million respectively, representing a CAGR of approximately 31.8%. During the Track Record Period, our five largest customers accounted for approximately 71.6%, 96.6% and 94.5% of our revenue, respectively; and our largest customer accounted for approximately 21.9%, 61.0% and 50.4% of our revenue, respectively.

## COMPETITIVE STRENGTHS

We believe that our competitive strengths will enable us to maintain our position as one of the active market players in the Hong Kong foundation industry. Our competitive strengths include the following:

### **Our long-term history and our experienced management**

Our history can be traced back to 1983 when Ngai Shun Construction and Drilling Co. was established as a partnership. Some of the market players in the Hong Kong foundation industry have known our management for almost 30 years. We believe our management’s long-term presence in the foundation industry gives our customers an overall confidence in our ability to complete quality foundation works in a timely manner.

Moreover, one of our founders, Mr. Lam, has many years of experience and knowledge in marketing, project management and technical aspects of the foundation industry in Hong Kong as he has been involving in the industry for over 35 years. Furthermore, our executive Director, Mr. SC Wong, who possesses extensive foundation works experience and relevant professional qualifications, has been leading and serving our Group for at least 16 years.

#### **Experienced and professional project management teams and machinery operators**

Our project management teams have extensive industry and technical knowledge in the foundation industry and our machinery operators have well-developed practical skills and experience. Our project managers, foremen and machinery operators have experience in the foundation industry and possess the relevant professional qualifications as required for the work. For instance, as at 31 March 2013, we have at least 18 machinery operators possessing the relevant machinery operation licenses to operate crawler-mounted mobile crane and 26 machinery operators who have been working with us for at least 10 years. We believe their foundation project management experience, geological knowledge of Hong Kong and the technical skills of operating relevant machinery would facilitate the efficient and timely implementation and management of foundation works.

We believe the combination of our project management expertise and knowledge of the foundation industry, together with our highly qualified and experienced foremen and machinery operators have been and will continue to be our valuable assets enabling us to take up projects of various scale and complexity and fulfill our customers' requirements. During the Track Record Period and up to the Latest Practicable Date, we had completed 51 foundation projects in both public and private sectors and 20 of which with a subcontract value of over HK\$10 million. A few examples would be (i) The MTRC Express Rail Link project in Shek Kong; (ii) Mount Nicholson project in the Peak; and (iii) residential development project at Fat Kwong Street in Ho Man Tin. Our revenue generated and recorded during the Track Record Period amounted up to approximately HK\$810.7 million.

#### **Long-term relationships with some of our major customers**

We have been cooperating with some of our major customers during the Track Record Period (including Customer A, Customer B, Customer C and Customer E), who are some of the active market players in the construction industry in Hong Kong, for over 10 years. Our Directors believe that our long-term relationships with some of our major customers reinforce our Group as the preferred working party to their foundation projects.

#### **Possession of and ability to modify imported machinery**

Foundation works are plant intensive and require specialised machinery. We own certain machines manufactured in overseas countries for installing socketed H-piles, some of which were purchased in or after 2012. We believe that machinery could lower costs, increase efficiency and maintain consistency in work quality in performing foundation works. We also believe that further adaptation made to the imported machinery for Hong Kong geological characteristics can further enhance the machinery efficiency and functionality. To this end, we have built and held a team of technical personnel who is able to (i) advise our suppliers the function and design of removable components (such as diamond and button bits) of our machines; and (ii) work with our suppliers to

modify our imported machinery and the removable parts for flexibility to cope with different practical needs. Our team for machinery modification led by Mr. Lam has been participating in upgrading and modifying our imported machinery to suit our specific requirements. We believe our machinery are efficient and well-maintained which they enable us to (i) achieve high efficiency; (ii) maintain consistency in work quality; and (iii) uphold our competitive position in the foundation industry in Hong Kong. We are also of the view that our possession of adequate machinery eliminated the need for renting major machinery from external parties which in turn minimised the cost of our foundation works during the Track Record Period.

### **Flexibility and capability to contribute advices and make appropriate adjustments**

When we carry out foundation projects, we aim to work closely with our customers, who are normally the foundation contractors in the Hong Kong foundation industry, and other working parties such as the engineers or architects who specified the method statements on how the pilings should be performed. We believe that our experienced management and professional project management teams have the flexibility to make appropriate adjustment suggestions to suit our customers' specific requirements and to make suggestions to cope with uncertainties which may only come to understanding during the project's operation. We consider our knowledge on the sub-soil and bedrock conditions acquired throughout the years by undertaking foundation projects in various locations in Hong Kong enabling us to provide advices regarding foundation work details to our customers based on the practical situations at construction areas. Furthermore, our streamlined organisational structure allows us to make timely decisions which we believe may be critical given a tight project schedule. Further details on our Directors and senior management are set out the section headed "Directors and senior management and staff" in this prospectus.

### **Our foundation works focus mainly on socketed H-piling**

We are specialised in socketed H-piling because we believe (i) unlike percussive piling, the machinery for socketed H-piling generates much less noise and vibration during its operation and it is more environmentally friendly; (ii) the Environmental Protection Department has been encouraging the use of quality powered mechanical equipment in order to minimise the noise from construction works; (iii) socketed H-piling is suitable for the geological conditions in Hong Kong since the soils found in Hong Kong vary from gravel with boulders to sandy clay which may not be strong enough to support the load of the infrastructures, and socketed H-piling system is able to transfer the load to the underlying hard stratum; and (iv) socketed H-piling is highly flexible among other piling methods because it fits for a range of construction site areas and landforms. For instance, the construction of several mega infrastructures in Hong Kong such as Guangzhou-Hong Kong Express Rail Link at the Kowloon terminus and Choi Yuen Village and the Hong Kong-Zhuhai-Macao Bridge, as well as the residential developments at Stubbs Road in the mid-level of Hong Kong Island also involved socketed H-piling. In view of (i) the increasing public expenditure on infrastructure and the current growth prospects for private development projects; (ii) the expectation of the community for a healthy living environment and the relevant encouragement policy from the Hong Kong government regarding environmental protection; and (iii) our well-developed technical skills and specialised machinery of socketed H-piling, additional business opportunities may be available for our Group to develop our foundation business which focuses on socketed H-piling.



**Quality staff training**

Our employees, including project managers, foremen, machinery operators and technical personnel, are valuable resources of our Group. As such, we emphasise on the training and development of our employees. Our internal control manual requires us to provide internal and external training to our selected employees to ensure they possess the required skills-set parameter and technical expertise for the operation of our foundation business. We believe our training programme is not only used as a platform to constantly upgrade the skills of our employees, it is also used to encourage team building within our Group, so as to increase overall efficiency and loyalty to our Group, and also as a means of retaining and promoting quality employees. The internal and external training programmes focus on specific areas such as machinery operation and occupational safety. According to the internal control manual, the training sessions are performed on a regular basis.

**Stringent quality control**

We place considerable emphasis on the distinctive and consistent quality of our foundation works and have therefore implemented a stringent quality control system that complies with international standards. We were assessed and certified by DNV since 2001 that the requirements of ISO 9000:2008 accreditation for our management system had been met. Our project managers and foremen are responsible for supervising our workers to maintain our foundation works up to our quality requirements.

**Good reputation with a proven track record developed in the foundation industry**

Our management has almost 30 years of experience in the Hong Kong foundation industry. Our Directors believe that we have good reputation in the Hong Kong foundation industry with substantial proven track record and have the capability of delivering our job on time and to the satisfaction of our customers. During the Track Record Period and up to the Latest Practicable Date, we had completed 51 foundation projects in both public and private sectors.

**BUSINESS STRATEGIES AND PROSPECTS**

In view of the increasing spending by the Hong Kong government on public infrastructure projects and the current growth prospects for residential development projects mainly due to the Hong Kong government's intention and policy to stabilise the local property market by increasing the supply of both private and public residential units, such as securing land for Public Rental Housing and Home Ownership Scheme, and resumption of the Land Sale Program, our Directors believe that the value of construction work output in Hong Kong will continue to rise and the foundation works available for us will grow steadily. Further details on the future development of the foundation industry in Hong Kong are set out in the section headed "Industry overview — Market overview of the foundation industry in Hong Kong" in this prospectus.

During most of the Track Record Period, the majority of our revenue was derived from private projects. However, having considered (i) the expected increase in the Hong Kong government's spending on public sector projects and the fact that we are registered contractors eligible for undertaking land piling works (including socketed H-piling and mini-piling) in the public sector under the Development Bureau; and (ii) the increase in revenue we derived from public projects for the year ended 31 March

## BUSINESS

2013, our Directors believe there are opportunities for our Group to handle more foundation projects in the public sector due to our registration status with the Development Bureau. Our Directors confirmed that the key difference between public and private projects is the payment pattern of retention money (the details of which are set out in the section headed “Business — Operating procedures — Progress payment and retention money” in this prospectus) and, therefore, any change in proportions of private or public projects would not have material impact on our Group’s operation and financials. The proportion of public projects decreased from approximately 62.7% to 24.2% and then increased to 44.6% over the Track Record Period while our Group’s gross profit margin increased from approximately 10.3% to 22.6% and further to 30.1% during the Track Record Period. As a result, the change in the proportions between public and private projects did not have material impact on our Group’s gross profit margin during the Track Record Period.

We will continue to play an active role in seeking opportunities in foundation works from the private and public sectors in Hong Kong. We will mainly focus on undertaking foundation works involving the construction of socketed H-piles and mini-piles. Our Directors confirmed that it is the business strategy of our Group for being a subcontractor in the foundation industry in order to avoid direct competition with our customers (the foundation contractors) and we do not intend to shift our entire focus or reallocate our resources from private projects to public projects in the future. By maintaining good relationship and avoiding competition with our major customers, we believe it will not undermine the Group’s future business development, and instead we may take on more and larger foundation projects from our customers as a result of the expected increase in demand for foundation services in Hong Kong and our competitive strengths. In turn, we could achieve future revenue growth and securing source of revenue.

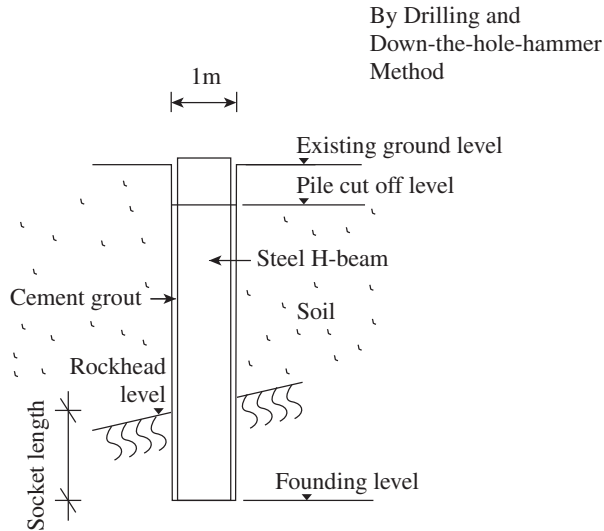
Furthermore, as we during the Track Record Period have not operated as a foundation contractor, we may not be familiar or efficient in cost control on some construction materials which are expected to be provided by foundation contractors. Our Directors believe that our Group is more likely to be able to sustain our gross profit margin by operating as a foundation subcontractor.

We plan to expand our scale by continuing to acquire more advanced machinery and hire more professional staff. In this regard, machinery and equipments including air compressors, drilling rigs, vibratory hammers and other related accessory equipments for foundation works will be acquired from time to time in the next five to six years with an aim to increase our Group’s capacity. We expect the additional staff, including two project managers, two foremen, five machinery operators and ten technical personnel, to be hired by the year ending 31 March 2017. Our Directors believe that by expanding our scale of operation, we will be able to participate in larger foundation projects and broaden our customer base by meeting the pre-qualifications set by potential customers.

**DESCRIPTION OF BUSINESS**

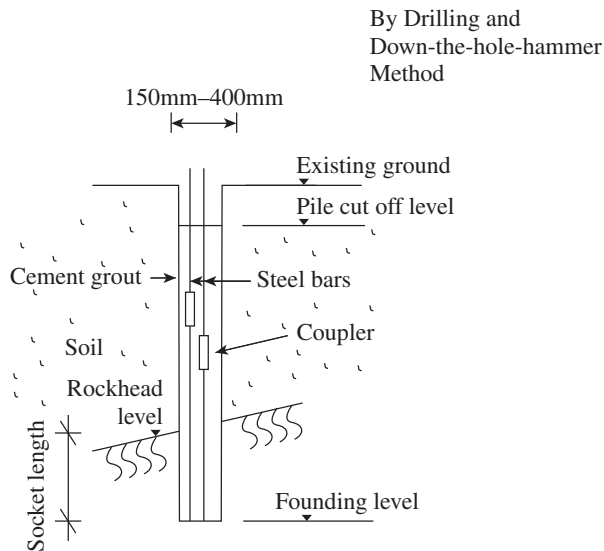
The major foundation works undertaken by us (with illustrative diagram, where applicable) are set out below:

**Socketed H-piling**



Rotary boring machine is used to drill holes on the ground for piling and the drilling continues until the hole has extended to sufficient depth (socketing) and into a sufficiently strong layer. Depending on site geology, this can be a rock layer, hardpan or other dense and strong layers. Both the diameter and the depth of the borehole are highly specific to the ground conditions, loading conditions and nature of the construction project. Socketed H-piles (also known as pre-bored H-piles) are then installed by inserting prefabricated steel H-piles into the boreholes sunk into bedrock, and subsequently grouting the holes with cementitious materials.

**Mini-piling**



## BUSINESS

A mini-pile usually consists of one or more steel bars encased by grout inside a borehole not exceeding 400 mm in diameter. They are normally designed to be socketed into rock and are mainly used to resist compression or tension loads on sites with difficult access. Steel casing are to be provided to support the borehole within the soil and/or fractured rock during drilling operation.

We set out below the features of foundation works undertaken by our Group:

Type of Foundation Works	Advantages	Disadvantages	Applications	Limitations	Cost Features
Socketed H-piles	<ol style="list-style-type: none"> <li>1. Non percussive pile:               <ul style="list-style-type: none"> <li>— Low noise</li> <li>— Low vibration</li> <li>— Less disturbance to neighbours</li> </ul> </li> <li>2. Lower plant costs as compared with other piles such as bored piles</li> </ol>	<ol style="list-style-type: none"> <li>1. Needs support in designated grade of rock which can be very steep and deep which in turn increasing costs</li> <li>2. Higher plant costs as compared with percussive piles</li> <li>3. Risk of loosening soils during pile excavation and causing ground loss and hence settlement</li> </ol>	<ol style="list-style-type: none"> <li>1. High-rise buildings and podium structures</li> </ol>	<ol style="list-style-type: none"> <li>1. Not cost effective as compared with large diameter bored piles which can support heavier loads</li> </ol>	<ol style="list-style-type: none"> <li>1. Lower plant cost as compared to bored piles but higher plant cost as compared to percussive piles</li> <li>2. Higher material cost as compared to percussive piles</li> </ol>
Mini-piles	<ol style="list-style-type: none"> <li>1. Non percussive pile:               <ul style="list-style-type: none"> <li>— Low noise</li> <li>— Low vibration</li> <li>— Less disturbance to neighbours</li> </ul> </li> <li>2. Small size of plant which can be used in small site. Only bamboo platform is required to support plant for pile construction on slopes</li> </ol>	<ol style="list-style-type: none"> <li>1. Low load bearing capacity</li> <li>2. Needs support in designated grade of rock which can be very steep and deep which in turn increases costs</li> </ol>	<ol style="list-style-type: none"> <li>1. Small structures e.g. footbridge and temporary working platform on slopes</li> </ol>	<ol style="list-style-type: none"> <li>1. Not suitable for large structures as its load bearing capacity is relatively low</li> </ol>	<ol style="list-style-type: none"> <li>1. Relatively low plant and material costs</li> </ol>

### MAJOR QUALIFICATIONS, CERTIFICATIONS, AWARDS AND COMPLIANCE

#### Qualifications in Hong Kong

In order to undertake private sector foundation works, the foundation contractor is required to be registered with the Buildings Department as a registered specialist contractor under the foundation category unless the foundation contractor subcontracts those works to an appropriate registered specialist contractor. With respect to public sector foundation works, in addition to the registration with the Buildings Department as a registered specialist contractor under the foundation category, the foundation

## BUSINESS

contractor must be registered with the relevant Hong Kong government departments or public organisations. Details of the above are set forth under the section headed “Laws and Regulations” in this prospectus.

During the Track Record Period, all of our foundation subcontracts with our customers were entered into by Ngai Shun. The following table sets out our major contracting qualifications and licences:

<b>Relevant Hong Kong government departments or public organization</b>	<b>Description</b>	<b>Category</b>	<b>Qualification</b>	<b>Period of validity</b>
Works Branch, Development Bureau	List of Public Works Contractor	Land Piling	Specialist List Group II — Minipile — Rock-socketed Steel H-pile in Pre-bored Hole	— <i>(Note 1)</i>
Buildings Department	Private sector works	Foundation Works	Registered Specialist Contractors	7 May 2013 to 6 May 2016
		Ground Investigation Field Works	Registered Specialist Contractors	4 August 2010 to 1 August 2013 <i>(Note 2)</i>
Construction Industry Council		Foundation works, land piling and ground investigation field works	Registered under the Voluntary Subcontractor Registration Scheme	— <i>(Note 1)</i>

*Notes:*

- (1) “—” denotes not subject to any periodic renewal condition
- (2) Regarding the registration renewal with the Buildings Department which expired on 1 August 2013, pursuant to the Buildings Ordinance, the registration of a contractor will continue to be in force if he makes an application for renewal within the statutory time limit (i.e. not earlier than 4 months and not later than 28 days prior to the date of the expiry of the relevant registration) and pays the renewal fee until his application for renewal is finalised by the Building Authority even if the expiry date has elapsed. Our Directors confirmed the application was submitted on 31 May 2013, which is within the allowed time limit and, therefore, we are holding valid registration and pending approval from the Buildings Department.

We maintain compliance with the respective licences, permits, registrations, and relevant regulatory requirements in respect of safety and environmental protection in the construction industry. The expected time to complete the renewal process is generally around one to two months and our Group intends to renew all existing licenses accordingly before their respective expiry date. We have not experienced any refusal of renewal of the licences necessary for our daily operations or any non-compliance with relevant laws and regulations of Hong Kong which caused material disruption to our operations during the Track Record Period and up to the Latest Practicable Date. Our Directors also do not expect any difficulty or legal impediment in obtaining the renewed licences.

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### Certification

The following table sets out our major certification:

Nature	Certification (Note)	Awarding organization or authority	Period of validity
Quality Management System Accreditation	ISO 9001:2008	DNV	Up to 5 September 2015

*Note:* ISO 9001:2008 represents the Management System of the design and construction of piling works, including rock socketed steel H-pile in prebored hole, minipile, pipe pile and grouting, the provision of ground investigation field works and construction of soldier pile

### Award and recognition

Ngai Shun, the major operating subsidiary of our Group, was awarded with the Model Subcontractor Award by the Development Bureau and the Construction Industry Council in 2012.

### Compliance

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all the approvals, permits, consents, licences and registrations required for our business and operations in Hong Kong and all of them are in force.

## CONSTRUCTION WORKS

During the Track Record Period, the construction works undertaken by us were building and infrastructure related public and private sector foundation projects. The lengths of our foundation projects were usually less than 12 months, depending on the size of the subcontract and the complexity of the works undertaken. Our foundation projects sometimes involve a mixture of different foundation types.

### Foundation projects

The following table sets out the details of the major foundation projects completed by us during the Track Record Period and up to the Latest Practicable Date in the descending order by their subcontract sum:

Location of project	Type of project	Type of works	Project period	Final subcontract sum (HK\$ million)
Shek Kong (MTRC Express Rail Link)	Public	Rock socketed steel H-piles, mini-piles and pumping test	July 2011–June 2013	104.0
Mount Nicholson, The Peak	Private	Rock socketed steel H-piles, mini-piles and soldier piles	August 2011–February 2013	81.4
Austin station	Private	Rock socketed steel H-piles, king post, grout curtain, pump well and pumping test	March 2011–February 2012	45.3

## BUSINESS

Location of project	Type of project	Type of works	Project period	Final subcontract sum (HK\$ million)
Ho Man Tin, Kowloon (Residential development)	Private	Rock socketed steel H-piles, soldier piles, king posts and mini-piles	June 2011–February 2012	44.3
Stonecutter Island (project 1) (Sewage treatment works)	Public	Rock socketed steel H-piles	November 2011–February 2013	32.5
23 Babington Path (Residential development)	Private	Rock socketed steel H-piles, shear piles, pipe piles and grout curtains	July 2012–August 2013	32.5
Un Chau Street and Fuk Wing Street, Sham Shui Po (Urban renewal project)	Public	Pipe piles, grout curtains, pumpwell and pump testing	May 2012–January 2013	31.0
MTRC West Kowloon Terminus	Public	Prebored H-piles	February 2010–October 2010	29.7
1–15 New Eastern Terrace (Residential development)	Private	Rock socketed steel H-piles, king posts and pipe piles	July 2011–February 2013	25.5
Tuen Mun Road — Tai Lam Section	Public	Prebored H-piles	September 2009–December 2012	22.4
Seymour Road, Mid-Levels (Residential development)	Private	Friction pile 610mm diameter	April 2009–January 2011	19.4
Blue Pool Road	Private	Prebored H-Piles, pipe piles & soldier piles	August 2010–September 2011	17.8
Tai Po Sewage Treatment	Public	Rock socketed steel H-piles	September 2010–April 2011	17.7
Shau Kei Wan (Urban renewal project)	Private	Prebored H-Pile, pipe pile, grout curtain, pump well, recharge well, observation well & pumping test	October 2009–November 2010	15.0
Extension of Footbridge Network in Tsuen Wan	Public	Prebored H-Piles	August 2009–August 2010	14.0
Anderson Road (project 1)	Public	Rock socketed steel H-piles and mini-piles	September 2012–March 2013	14.0
53 Conduit Road, Hong Kong	Private	Prebored H-Piles & Pipe Piles	May 2012–December 2012	12.5
Tai Po Road, Kowloon (Residential development)	Private	Rock socketed steel H-piles, soldier piles and king posts	April 2011–December 2012	11.3
No. 1 Sai Wan Terrace (Residential development)	Private	Pipe Piles & Grout Curtain	November 2009–June 2010	10.4
West Kowloon Terminus (North)	Public	Rock socketed steel H-piles	September 2010–February 2011	10.2
Kwok Shui Road, Tsuen Wan (Residential development)	Private	Rock socketed steel H-piles, soldier piles, pipe piles and king posts	August 2010–June 2011	10.0
Lam Tei (Residential development)	Private	Rock socketed steel H-piles	June 2012–December 2012	9.0
Central–Wan Chai Bypass	Public	Rock socketed steel H-piles	September 2010–April 2011	8.6
23 Tong Chong Street	Private	Rock socketed steel H-piles	August 2012–January 2013	8.4
Hong Kong Baptist Hospital	Private	Pipe piles, king posts and grout curtains	November 2011–June 2012	8.3
Yuen Long Estate	Public	Auger piles	August 2012–June 2013	7.5
Tai Po Road, Kowloon (Residential development)	Private	Rock socketed steel H-piles	September 2011–March 2012	7.4
Tsing Lung Road, Siu Lam, Tuen Mun (Residential development)	Private	Prebored H-Piles	November 2009–October 2010	7.3
Yuen Long and Ha Tsuen (Sewage pumping station)	Public	Rock socketed steel H-piles and mini-piles	April 2010–August 2010	7.0

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Location of project	Type of project	Type of works	Project period	Final subcontract sum (HK\$ million)
Austin station	Private	Rock socketed steel H-piles, king post, grout curtain, pump well and pumping test	March 2011–October 2011	6.6
Lower and Upper Kai Yuen Lane, North Point	Private	Soldier piles and king posts	November 2011–February 2012	6.0
Tai Kong Po to Tse Uk Tsuen Tunnels	Public	Pump well, observation well, recharge well and pumping test	July 2011–February 2013	6.0
Tai Mong Tai Road, Sai Kung (Outdoor training camp)	Private	Mini-piles	August 2011–May 2012	5.9
Lai Chi Kok Road, Kowloon (Residential development)	Private	Rock socketed steel H-piles	July 2010–October 2010	5.7
Wah Yan College, Hong Kong	Private	Rock socketed steel H-piles	February 2012–August 2012	5.7
Po Heung Street	Public	King posts	December 2012–January 2013	5.1
The Chinese University of Hong Kong	Public	Minipiles & pipe pile	May 2009–May 2011	4.6
10 & 12 Queen's Road Central (Commercial re-development)	Private	Pipe piles, king posts and grout curtains	July 2012–January 2013	4.5
Public Rental Housing Development at Kai Tak	Public	Rock socketed H-pile works	February 2010–December 2011	3.6
Residential Development at No. 28 Barker Road	Private	Pipe piles & channel planking	March 2010–April 2010	3.5
Tai Hang Road (Residential development)	Private	Soldier piles, pipe piles, wall works for site formation and footing works	November 2010–July 2011	3.4
The Hong Kong University of Science & Technology	Public	Rock socketed steel H-piles	December 2010–March 2011	3.3
Shuen Wan, Tai Po (Drainage improvement works)	Public	Rock socketed steel H-piles	May 2010–July 2011	3.3
Lower Ngau Tau Kok Estate	Public	Minipiles	March 2010–May 2011	3.2
Tolo Highway/Fanling Highway	Public	Pipe piles	August 2010–October 2010	3.0
Caritas Medical Centre	Public	Rock socketed steel H-piles and mini-piles	April 2010–September 2010	2.6
Kiu Tau Road, Wo Hop Shek (Garden of remembrance)	Public	Rock socketed steel H-piles	April 2010–September 2010	2.5
Public Rental Housing Development at Kai Tak Site B	Public	Preboring for driven H-pile	February 2010–January 2011	1.4
No. 38 Repulse Bay Road	Private	Prebored H-piles	April 2010–December 2010	1.2
Cognitio College (Re-development)	Private	Mini-piles	October 2011–November 2011	0.7
169–171 Wing Lok Street, Hong Kong	Private	Grout curtains	February 2012–April 2012	0.7



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The following table sets out the details of the foundation projects in progress commenced during the Track Record Period in the descending order by their subcontract sum:

Location of project	Type of project	Type of works	Project commencement date	Expected project completion date (HK\$ million)	Awarded subcontract sum (HK\$ million)	Outstanding subcontract sum as of the Latest Practicable Date	Approximate percentage of completion as of the Latest Practicable Date (%)
Stubbs Road (Residential development)	Private	Rock socketed steel H-piles, soldier piles, pipe piles, mini-piles and grout curtains	March 2013	March 2014	126.0	83.6	33.7
Stonecutter Island (project 2) (Sewage treatment works)	Public	Rock socketed steel H-piles	November 2010	June 2014	60.5	27.5	54.5
31-69 Chai Wan Road	Private	Pipe piles, king posts, grout curtains, pump well, observation well and pumping test	September 2012	December 2013	52.3	11.6	77.8
Anderson Road (project 2)	Public	Rock socketed steel H-piles and mini-piles	September 2012	September 2013	41.8	19.0	54.5
Community hall and district library in Sha Tin	Public	Rock socketed steel H-piles	March 2013	September 2013	34.7	14.3	58.8
77 Peak Road	Private	Rock socketed steel H-piles, mini-piles, pipe piles and grout curtains	February 2013	September 2013	19.2	11.5	40.1
Ocean Park Station, Wong Chuk Hang Station, Viaducts and Aberdeen Channel Bridge	Public	Preboring for bored pile	August 2012	September 2013	8.1	3.3	59.3
Total					342.6	170.8	50.1

The following table sets out the details of the foundation projects in progress commenced after the Track Record Period and up to the Latest Practicable Date in the descending order by their subcontract sum:

Location of project	Type of project	Type of works	Project commencement date	Expected project completion date (HK\$ million)	Awarded subcontract sum (HK\$ million)	Outstanding subcontract sum as of the Latest Practicable Date	Approximate percentage of completion as of the Latest Practicable Date (%)
Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road Section	Public	Pipe piles and grout curtains	April 2013	October 2013	73.4	54.9	25.2
Hin Keng to Diamond Hill Tunnels	Public	Pipe piles and grout curtains	April 2013	May 2014	35.6	25.7	27.8
12121 Sai Yee Street	Private	Pipe piles and grout curtains	June 2013	October 2013	19.4	8.4	56.7
Tseuk Luk Street, San Po Kong (Office development)	Private	Pipe piles	April 2013	October 2013	16.5	7.7	53.3
11 Plantation Road (Residential development)	Private	Rock socketed steel H-piles and pipe piles	May 2013	October 2013	13.9	9.5	31.7
Stubbs Road (Residential development)	Private	Mini-piles	August 2013	October 2013	13.5	13.5	Nil
Jockey Club Home in Shatin	Private	Prebored H-piles, pipe piles, mini-piles and grout curtains	August 2013	October 2013	13.1	13.1	Nil
Total					185.4	132.8	28.4

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The following table sets out the details of foundation projects which are yet to commence as at the Latest Practicable Date:

Location of project	Type of project	Type of works	Project commencement date	Expected project completion date (HK\$ million)	Awarded subcontract sum (HK\$ million)	Outstanding subcontract sum as of the Latest Practicable Date	Approximate percentage of completion of the Latest Practicable Date (%)
MTRC Shatin Central Link	Public	Rock socketed steel H-piles, mini-piles, king posts, pipe piles and grout curtains	November 2013	September 2014	97.4	97.4	Nil
1 Plantation Road (Residential development)	Private	Rock socketed steel H-piles, soldier piles, king post and mini-piles	December 2013	June 2014	43.8	43.8	Nil
Hung Hom (Hotel development)	Private	Rock socketed steel H-piles	October 2013	March 2014	40.4	40.4	Nil
Castle Peak Road (Residential development)	Private	Prebored H-piles, pipe piles and grout curtains	October 2013	April 2014	19.9	19.9	Nil
Footbridge in Anderson Road	Public	Rock socketed steel H-piles and mini-piles	December 2013	June 2014	12.9	12.9	Nil
Total					<u>214.4</u>	<u>214.4</u>	<u>Nil</u>

As at the Latest Practicable Date, the awarded subcontract sum of foundation projects on hand (including projects in progress and projects which are yet to commence) for the private sector and the public sector were approximately 51.9% and 48.1% of the total awarded subcontract sum of foundation projects on hand respectively. Our Directors confirmed that the total outstanding subcontract values as at 31 March 2013 to be recognised in the six months ending 30 September 2013, the six months ending 31 March 2014 and the six months ending 30 September 2014 are estimated to be approximately HK\$207 million, HK\$205 million and HK\$254 million respectively. As at the Latest Practicable Date, we have submitted 65 quotations and the results will be made known to us within approximately two to eight months after our submission. Our success rates for quotations submitted were approximately 11.3%, 12.0% and 13.0% for the three years ended 31 March 2011, 2012 and 2013 respectively.

Having considered that (i) we have purchased additional machinery after the Track Record Period and up to the Latest Practicable Date to expand our scale; (ii) we will continue to acquire more advanced machinery and hire more professional staff despite the result of the Listing; (iii) we are able to sub-subcontract part of our foundation works, such as drilling, welding and grouting, to our 16 internally approved sub-subcontractors; (iv) the rainy and typhoon seasons will end after September and our projects in progress are less likely to be interrupted; and (v) around HK\$172 million or 42% of the total subcontract value of projects in progress of approximately HK\$412 million (i.e. the sum of HK\$207 million and HK\$205 million), which is expected to be recognised as revenue for the year ending 31 March 2014, has already been realised according to the stage of completion during the period from April 2013 to the Latest Practicable Date, our Directors are of the view that our Group would have sufficient capacity to complete these foundation projects.

## **SALES AND MARKETING AND CUSTOMERS**

### **Sales and marketing**

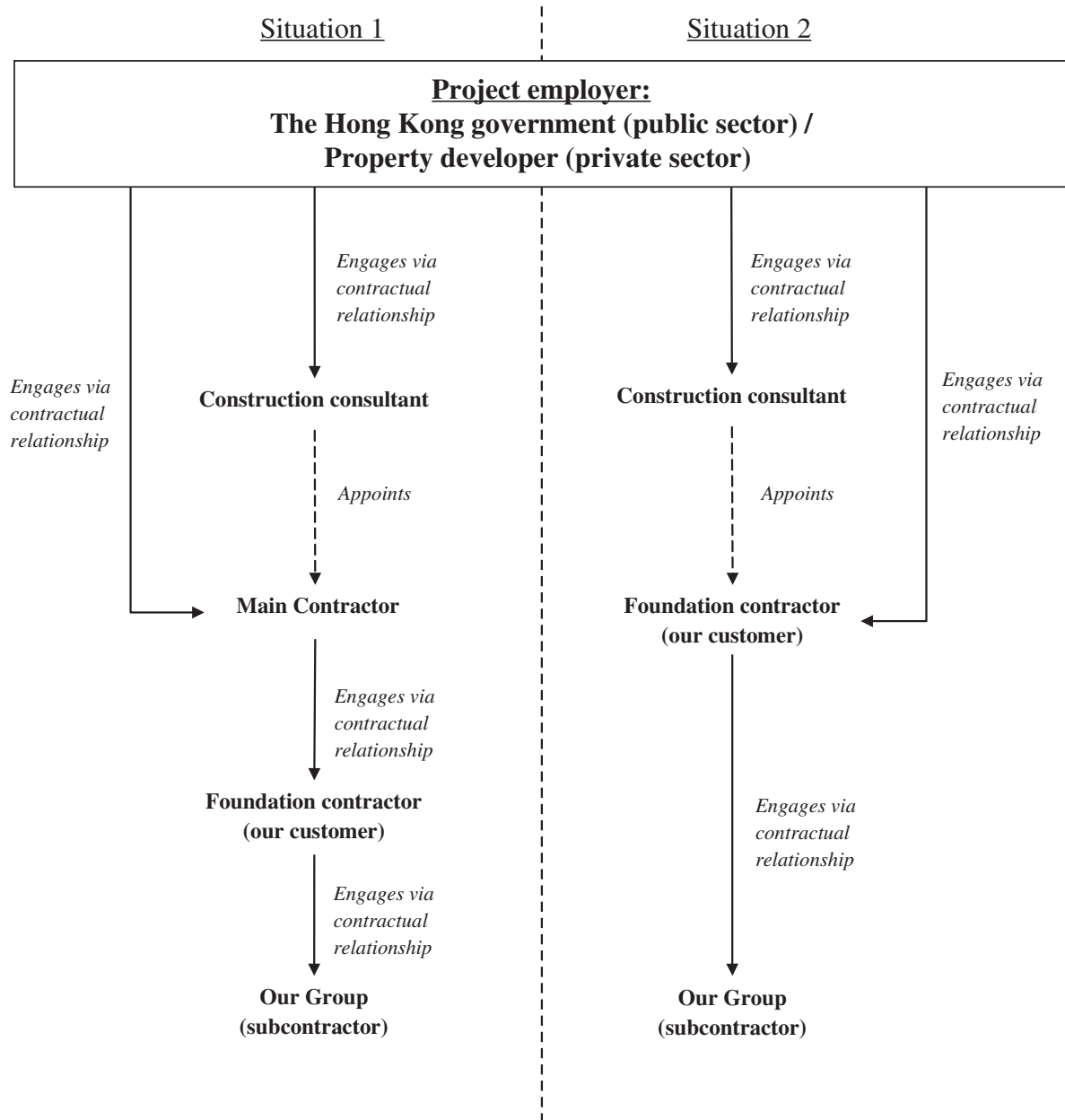
The foundation projects undertaken by us are normally awarded by way of quotation requested by our customers who are the foundation contractors in Hong Kong. In this connection, we maintain active relationships with our customers in the construction industry to explore potential business opportunities. We also closely monitor forecasts for Hong Kong government construction works and public tender notices. We are of the view that past job reference, expertise in relation to foundation works, relationship with customers and our network in the industry are assets valuable to us in being the preferred working party of and securing cooperation opportunities from our customers.

Other marketing strategies undertaken by our Group includes relationship management, and advertising activities such as putting up banners and/or signage displaying the names and logos of Ngai Shun at construction sites. Our Group currently has no plan to carry out any other marketing activities such as mass media advertisement.

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## Customers

We classified our projects according to the nature of project employers: namely (i) public sector, which refers to the Hong Kong government and its related organisations and institutional bodies; and (ii) private sector, which refers to the property developers in Hong Kong. The following diagram illustrates the relationships among the major participants of a foundation project:



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### **Public sector**

The construction consultant, either being the ASD or civil engineer or architect engaged by the relevant Hong Kong government department, is responsible for appointing the Main Contractor of the whole construction project. The Main Contractor is normally responsible for (i) overseeing the progress of the whole construction project (usually includes the foundation works and erection of buildings as the project may be); (ii) delegating different specific work tasks (such as foundation works) of the construction project to other contractors; and (iii) engaging and supervising other contractors for handling the delegated work tasks. There is also another situation that the construction consultant directly appoints and delegates work task to foundation contractor.

We will then enter into a subcontract with the foundation contractor, who is engaged by the Main Contractor or directly by the relevant Hong Kong government department, undertaking the foundation works. Accordingly, we regard the Hong Kong government as the project employer, while the foundation contractor as our customer.

For public sector projects, contractors responsible for the foundation works are required to be listed under the Works Branch, and/or other public organisations. The section headed “Laws and Regulations” in this prospectus sets out further details.

### **Private sector**

We also engage in private sector foundation projects. In such cases, the civil engineer or architect engaged by the property developer as the construction consultant is responsible for appointing the Main Contractor who is principally responsible for (i) overseeing the progress of the whole construction project (usually includes the foundation works and erection of buildings as the project may be); (ii) delegating different specific work tasks (such as foundation works) of the construction project to other contractors; and (iii) engaging and supervising the other contractors for handling the delegated work tasks. There is also another situation that the construction consultant directly appoints and delegates work task to foundation contractor.

We will then enter into a subcontract with the foundation contractor, who is engaged by the Main Contractor or directly by the property developer, undertaking the foundation works. Accordingly, we regard the property developer as the project employer while the foundation contractor as our customer.

Contractors responsible for the foundation works in the private sector are required to be registered specialist contractors under the categories of foundation as required by the relevant laws and regulation in Hong Kong. The section headed “Laws and Regulations” in this prospectus sets out further details.

### **Major customers**

During the Track Record Period, our five largest customers accounted for approximately 71.6%, 96.6% and 94.5% of our revenue, respectively; and our largest customer accounted for approximately 21.9%, 61.0% and 50.4% of our revenue, respectively. We have not entered into any long-term master contracts with any of these customers. Our Directors confirmed that our Group had no material dispute with or recovery of claims from its customers during the Track Record Period. Our Directors consider that there is no specific industry norm regarding the number of customers of foundation subcontractors. The limited number of customers of our Group is possibly due to the competitive landscape of the

## BUSINESS

foundation industry in Hong Kong. As set out in the section headed “Industry overview — Competitive landscape of the foundation industry in Hong Kong — The seven largest foundation contractors in the foundation industry in Hong Kong” in this prospectus, the seven largest foundation contractors shared around 39.0% of the total value of foundation works in Hong Kong in 2012 and three of them are our five largest customers during the Track Record Period.

The followings set out the profile of our five largest customers during the Track Record Period.

Name of customer	The financial year being our five largest customers	Approximate year of business relationships with our Group	Principal business	Public/private sector
Customer A	31 March 2011, 2012 and 2013	16 years	Contractor	Both
Customer B	31 March 2012 and 2013	16 years	Contractor	Both
Customer C	31 March 2011, 2012 and 2013	16 years	Contractor	Both
Customer D	31 March 2012 and 2013	2 years	Contractor	Public
Customer E	31 March 2012	16 years	Contractor	Private
Customer F	31 March 2011	3 years	Contractor	Public
Customer G	31 March 2011	7 years	Contractor	Both
Customer H	31 March 2011	3 years	Contractor	Public
Customer I	31 March 2013	1 year	Contractor	Public

*Notes:*

- (1) Customer A is a member of a Hong Kong listed company whose principal business activities include foundation piling, electrical and mechanical engineering and property development.
- (2) Customer B is specialised in foundation works and civil engineering works and is a subsidiary of a Hong Kong listed company.
- (3) Customer C is engaged in building construction, civil and foundation engineering works in Hong Kong and is a subsidiary of a Hong Kong listed company.
- (4) Customer D is a joint venture formed between two companies: a Japan listed civil engineering company and Customer C.
- (5) Customer E is a construction company based in Hong Kong whose principal business activities include foundation piling, demolition works and civil engineering works.
- (6) Customer F is a joint venture formed between two companies: a subsidiary of a Hong Kong listed construction company and Customer B.
- (7) Customer G is a construction company based in Hong Kong whose principal business activities include foundation piling, construction design and civil engineering works.
- (8) Customer H is specialised in infrastructure construction, infrastructure design, dredging and port machinery manufacturing businesses and is a subsidiary of a company listed in Hong Kong.

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- (9) Customer I is a joint venture formed between two companies: an international contractor which specialises in water and wastewater handling and treatment and a local company whose principal business activities include real estate and property development, and civil engineering and building construction.

None of our Directors, their associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) has any interest in any of our five largest customers during the Track Record Period. We are not aware during the Track Record Period that our Group has experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. Our Directors further confirmed that they are not aware any of our major customers have experienced material financial difficulties that may materially affect our Group's business.

On the basis of our success in providing quality foundation services, we believe we have been the preferred working party of our major customers to their foundation projects and some of them have been cooperating with us for over 10 years. Such long-term business relationships benefited our Group in securing our sources of revenue during the Track Record Period. On the other hand, our provision of foundation services enabled our major customers to fulfill their responsibilities under the contractual relationships with Main Contractors or project employers. As a result, we believe the cooperation between our Group and each of our major customers mutually benefited respective parties in capturing economic benefits and business development in the foundation industry in Hong Kong. During the Track Record Period, we were also approached or invited by other foundation contractors for potential foundation projects. However, given our operation capacity was not unlimited, we preferably handled the projects proposed by our major customers having considered (i) our long-term business relationships with them; and (ii) their proven payment records and reputation in the industry. Our Directors consider that such preference would not restrict our Group's business development in the future because we are able to serve customers including existing customers and new customers as long as we have sufficient operation capacity. In other words, we have no intention to limit ourselves to serving a few major customers providing that we have sufficient operation capacity in future. We have planned to expand our scale by continuing to acquire more advanced machinery and hire more professional staff. The section headed "Business — Business strategies and prospects" in this prospectus sets out further details.

Our Directors are of the view that our Group does not overly rely on its major customers because (i) there is a mutual reliance between us and our major customers; and (ii) we also cooperated with new customers such as Customer I during the Track Record Period. In the event that any of our major customers substantially reduces the number of contracts placed with us or terminates its business relationship with us, our Directors consider that we would have extra capacity to handle other potential projects from other customers to replace such lost contracts due to the expected growth of demand for foundation services in Hong Kong and our competitive strengths as detailed in the section headed "Business — Competitive strengths" in this prospectus. According to the Ipsos Report, it is expected the demand for foundation services will increase in future and the gross output value of piling and related foundation works of the foundation industry in Hong Kong will increase at a CAGR of around 20.8% from approximately HK\$19,875 million in 2012 to approximately HK\$42,364 million in 2016.

## **OPERATING PROCEDURES**

Our operational procedures in respect of foundation works principally involve identifying potential projects, quotation, price determination and project implementation. We have developed a comprehensive management system covering the foundation work process, including project planning, contract management, project control, project completion and handover, and was accredited with ISO 9001:2008 since 2001.

### **Identifying potential projects**

We are usually being approached by the foundation contractors for potential foundation projects and being provided with preliminary specifications because of our position as a subcontractor in the foundation industry which could benefit our customers due to our specific role, value, function and contribution to foundation project implementation. Our Group could be approached by foundation contractors due to previous working relationships, referral from other customers and information on the Specialist List maintained by the Works Branch.

We will review and assess potential projects and then decide on projects which we believe to be profitable and manageable to pursue based on factors including the scope, complexity and particular specification of the projects, achievability of the specified timetable, prior experience and relevant technical knowledge, availability of resources and expertise and our financial conditions.

### **Quotation**

Our customers would issue invitation letter(s) to selected entities as their potential subcontractors for their intended foundation projects. Once we obtained the invitation letter(s) requesting for our quotation, which normally contains, amongst others, the project specifications, we will commence preliminary work for the preparation of quotation, which as advised by our Directors, is a common method of selection of subcontractor in the industry. Such preliminary work usually includes understanding the project specifications and requirements and physically visiting the site at which the foundation project is to be undertaken if we consider necessary.

### ***Our customers' selection process for foundation subcontractors***

Our Directors believe that each of our major customers has its own selection process for foundation subcontractors but the key steps of the selection processes should be similar. Our Directors are of the view that our major customers maintain lists of approved subcontractors which should be reviewed and updated on a regular basis according to the performance of each subcontractor. Some common criteria for the selection are expected to include qualifications of the subcontractors, previous cooperation experience, quality of work, skill sets of their workers, previous job references, reputation in the industry, price and credit-worthiness. Our Directors confirmed that our major customers requested interviews with our Directors and site visits before appointing us as their approved foundation subcontractor.



**Price determination**

We will prepare and submit quotations based on the foundation drawings and specifications provided by our customers or the construction consultants. We will sometimes provide advices regarding the foundation details design to our customers if necessary. The time required for preparing a quotation varies from case to case, which depends on each project's specific requirements and complexity. Generally, it takes about one to two weeks from receipt of quotation requests to submission of quotations.

In general, we will take into account various factors, including the site conditions, price of construction materials as quoted from our suppliers, human resources, programme of works, availability of machineries and other factors in preparing a quotation. We will consider the potential difficulty and risk factors in estimating the total cost of the foundation projects based on the experience of our Directors and project managers. We will then prepare our quotation based on our estimated project costs (which mainly include machinery usage cost, direct labour cost and construction material costs) plus a mark-up margin with reference to the historical construction fee we received for similar projects and the current construction fee level in the market at the time we submit our quotation.

In the event that our Group is required to perform variation works which are not included in the original design layout specification, our customer will perform measurement and evaluation to the variation work and make adjustment to the subcontract sum.

**Common terms of subcontracts**

The subcontracts we entered into with our customers vary and we do not impose a standard form. Some of the common terms are generalised and set out below:

Contract Period:	Unspecified. We shall follow our customer's program of work. The date of commencement for the works will be notified by our customers.
Types and scope of work:	Piling work in accordance with the method statement and foundation layout plan.
Payments:	Our customer shall pay us monthly (or as otherwise agreed), based on the measurement and valuation of works executed during the month.
Variations:	Variation by way of addition and modification to the work may be ordered by our customers. Unless otherwise agreed, such variations shall be valued by reference to specified rates.
Insurance:	Our customers shall effect and maintain in force the contractor's all risk insurance in respect of damages or compensation payable at law in respect of accidents or injuries. We shall be responsible for the insurance over our machinery and equipment.

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- Injury to workers: If our workers and our sub-subcontractors' workers have been injured, and if our customers have made payment to such injured workers without being reimbursed by our customers' insurers, then our customers may make deductions from our subcontract payments.
- Retention monies: Retention monies at certain percentage of each payment up to a limit of subcontract sum will be retained by our customers to be released after the completion of the work and subject to no outstanding remedial works.
- Liquidated damage: Liquidated and ascertained damage at certain amount per day shall be deducted if we fail to complete the work within the specified period or extended time granted.
- Default: We may default if we:
- (a) fail to proceed with the work with due diligence after being required in writing to do so by our customers;
  - (b) refuse to make good defective work after being directed by our customers;
  - (c) enter into a deed of arrangement with creditors or being liquidated;
  - (d) assign or sub-let the work without prior consent; or
  - (e) do or omit to do anything which would or might occasion a forfeiture of the contract between the project employer and our customer.

Our Directors confirmed that our Group did not experience any deduction of subcontract fee paid by our Group's customers for injuries of workers employed by our Group or sub-subcontractor(s) during the Track Record Period.

### **Project implementation**

#### ***Formation of project management team***

Once we are awarded with a subcontract, our management will form a project management team, which normally consists of a project manager, a foreman and a safety supervisor. Depending on the size of the subcontract and the complexity of the works undertaken, the project management team may include additional staff. The responsibilities of our project management teams include assisting our customers in preparing technical submission to the Main Contractors or construction consultants, formulating detailed works programme, procurement of construction materials, delegation of works to sub-subcontractors if necessary, coordination with our customers or the construction consultants, and with sub-subcontractors and suppliers and to take charge in the overall management of these works.

Once a project is launched, our executive Directors will closely monitor the progress of the project to ensure that the project meets the customer's requirements, is completed as scheduled and within the budget as stated in the subcontract, and in compliance with all statutory requirements in connection with

## BUSINESS

the works, safety, environmental and other related legal or regulatory requirements. Our project management teams also communicate frequently and participate in project meetings if necessary with our customers or, as the case may be, the construction consultants to assess and review the progress of the projects and to identify and resolve any problem or issue which may arise during the course of carrying out our foundation works.

### *Procurement of materials and machinery*

Most of our works require the use of machinery. We occasionally purchase machinery and removable parts (such as diamond and button bits) to support the expected increase in our workloads and to replace the aged machinery and parts. Our major machinery, including air compressors, drilling rigs, vibratory hammers and automatic grouting stations, are mainly manufactured in Japan, Europe and the United States.

The construction materials that we purchased are mainly cement. We use diesel fuel to operate our machinery at construction sites. Both cement and diesel fuel are sourced from our suppliers in Hong Kong. Other construction materials which include steel reinforcement, steel H-pile and permanent mild steel casing are provided by our customers. Unless our customers specify, we usually select our suppliers from our internal list of approved suppliers. We have to inform our customer and construction consultant about the cement supplier we decided to use for the project. We estimate the amount of construction materials to be ordered and we specified the delivery time and quantity to our suppliers on a project-by-project basis. Construction materials, including diesel fuel, purchased by us are normally delivered by the suppliers to the construction sites directly. We generally do not keep excess inventory.

We will assess the overall performances of potential suppliers, including product quality, timeliness of delivery, references and reputation in the industry to be included in our list of suppliers on an annual basis to ensure that we have maintained a reasonably diversified base of reliable suppliers which offer competitive prices. As at 31 March 2013, there were approximately 200 suppliers on our list of approved suppliers. Our Directors confirmed that the sub-subcontractors, who purchase cement by themselves, are required to use the suppliers designated by us. Generally, we select our suppliers from our list of approved suppliers based on their prices, quality, past performances and capacity. None of our machinery and removable parts suppliers has entered into any long-term supply agreement with us. As at 31 March 2013, we have active long-term supply contracts with our major suppliers of cement and diesel fuel in order to minimise the prices and/or secure stable supplies over the contract years.

Our major diesel fuel supplier is a subsidiary of a New York listed multinational energy corporation headquartered in California, the United States. The key terms of the long-term supply contract entered into with our major diesel fuel supplier (who provided approximately 87.3%, 87.9% and 89.1% of our total purchases of diesel fuel for the three years ended 31 March 2011, 2012 and 2013 respectively) are set out below. There is no specific term regarding termination or consequences of Ngai Shun's failure in meeting the minimum purchase requirements in the long-term diesel fuel supply contracts. Our Directors confirmed that our Group has maintained long-term supply contract with the diesel fuel supplier throughout the Track Record Period and there was no significant change to the discount rate offered.

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### *Subject matter*

Pursuant to the terms of the supply contract, Ngai Shun agreed to purchase and the diesel fuel supplier agreed to sell an estimated 200,000 liters of diesel fuel per month during the period from 1 February 2013 to 31 January 2015.

### *Price*

The purchase price is determined with reference to the official list price provided by the diesel fuel supplier, which fluctuates with market price, and then applied a fixed discount to Ngai Shun.

### *Payment term*

The purchase of product made in one calendar month must be settled within 30 days after that month.

### *Ngai Shun's obligations*

- (i) Ngai Shun shall notify the diesel fuel supplier of the quantity needed at least 48 hours in advance of the proposed date of delivery;
- (ii) Ngai Shun shall ensure there is sufficient capacity for safe reception of quantity ordered;
- (iii) Ngai Shun shall not resell or exchange any of the ordered diesel fuel with other parties without prior consent of the diesel fuel supplier;
- (iv) Ngai Shun shall periodically provide financial information or security deemed necessary by the diesel fuel supplier to support any credit extension;
- (v) Ngai Shun shall ensure it has or it will obtain every necessary authorisation to perform this contract; and
- (vi) Ngai Shun shall not assign or transfer to any other person any of its rights under this contract.

### *Other terms*

- (i) Ngai Shun shall be advised of any changes in purchase price as soon as possible. In the event of a price change, new price will apply automatically to all deliveries made on or after the date on which the price change takes effect;
- (ii) the diesel supplier warrants that the product when delivered shall meet its agreed specifications in all material aspects. Ngai Shun's remedy for any breach of this warranty is rejection and return of that product in exchange for an equivalent of conforming product or, at the diesel fuel supplier's option, a credit against the price of the non-conforming product;

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- (iii) Ngai Shun shall indemnify the diesel supplier from all actions, costs, claims, demands, expenses (including legal fees on a full indemnity basis) and liabilities whatsoever resulting from any actual or alleged breach of Ngai Shun's obligations under long-term supply contract; and
- (iv) despite anything contrary in the long-term supply contract and without prejudice to other legal remedies, either party may terminate the contract at any time and without cause by giving at least 14 days prior notice to the other party or immediately on notice if the other party (i) commits any continuing or material breach of the contract and fails to remedy the same within 30 days after notice of breach is given by the non-defaulting party; or (ii) becomes insolvent or unable to pay its debts when due, or enters into either compulsory or voluntary liquidation.

Our major cement supplier is a subsidiary of a Hong Kong listed company which is engaged in production and distribution of cement. The key terms of the long-term supply contracts entered into with our major cement supplier (who provided approximately 100.0%, 100.0% and 94.7% of our total purchases of cement for the three years ended 31 March 2011, 2012 and 2013 respectively) are set out below. There is no specific term regarding termination or consequences of Ngai Shun's failure in meeting the minimum purchase requirements in the long-term cement supply contracts. Our Directors confirmed that our Group has maintained long-term supply contract with the cement supplier throughout the Track Record Period and there was no significant change to the discount rate offered.

### *Subject matter*

Pursuant to the terms of the supply contracts, Ngai Shun agreed to purchase and the cement supplier agreed to sell:

- (i) 15,000 metric tonnes of cement in bagged during the period from 1 January 2013 to 31 December 2013; and
- (ii) 15,000 metric tonnes of cement in bulk during the period from 1 July 2013 to 31 December 2013.

### *Price*

The discounted purchase price is determined with reference to the unit price per metric tonnes of cement in bagged and cement in bulk in the market.

### *Payment term*

Invoice shall be issued by the cement supplier at one month interval and Ngai Shun shall make payment within 45 days from the date of invoice.

As advised by our legal adviser as to Hong Kong law, the aforesaid diesel fuel and cement long-term supply contracts are legally binding, valid and enforceable under the applicable laws and regulations of Hong Kong. We are not aware during the Track Record Period that our Group has any major disruption of business due to material delay or default of delivery of our major cement and diesel

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fuel suppliers due to their financial difficulties. Our Directors further confirmed that they are not aware of any material financial difficulties on these two suppliers that may materially affect our Group's business.

Generally, we will order construction materials approximately one week in advance based on each project's progress at each of the construction sites and confirm the order approximately three days prior to delivery. During the Track Record Period, we have not experienced any significant shortage nor delay in delivery of construction materials by our suppliers causing material disruption to our works. Construction materials purchased by us are normally settled by cheque in Hong Kong dollars. Our suppliers normally grant credit period of 30 to 45 days from the invoice date of the relevant purchases to us. We incurred approximately HK\$87.2 million, HK\$91.7 million and HK\$95.1 million in construction materials costs for the three years ended 31 March 2011, 2012 and 2013 respectively, representing approximately 47.4%, 47.4% and 38.2% of our cost of sales for the three years ended 31 March 2011, 2012 and 2013 respectively.

Our largest supplier accounted for approximately 15.2%, 23.1% and 12.8% of our total procurement for the three years ended 31 March 2011, 2012 and 2013 respectively and our five largest suppliers (including one of our sub-subcontractors) accounted for approximately 59.6%, 70.2% and 45.2% of our total procurement for the three years ended 31 March 2011, 2012 and 2013 respectively.

The followings set out the profile of the five largest suppliers during the Track Record Period.

<b>Name of supplier</b>	<b>The financial year being our five largest suppliers</b>	<b>Approximate year of business relationships with our Group</b>	<b>Principal business</b>
Supplier A	31 March 2011, 2012 and 2013	15	Mechanical equipment supplier
Supplier B	31 March 2011, 2012 and 2013	9	Cement supplier
Supplier C	31 March 2011, 2012 and 2013	5	Diesel fuel supplier
Supplier D	31 March 2011, 2012 and 2013	12	Crawler crane rental supplier
Supplier E	31 March 2012	7	Mechanical parts supplier
Supplier F	31 March 2011	13	Mechanical parts supplier
Supplier G	31 March 2013	3	Sub-subcontractor

None of our Directors, their associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) has any interest in any of our five largest suppliers (including one of our sub-subcontractors) during the Track Record Period.

### **Sub-subcontracting**

Depending on our internal resources level, cost effectiveness and level of works complexity, we sometimes sub-subcontract part of our foundation works, such as drilling, welding and grouting, to our internally approved sub-subcontractors by entering into separate sub-subcontracts with them. Sub-

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subcontracting enables us to capture additional revenue when our Group's current resources level or expected resources level in foreseeable future is insufficient to support the potential foundation projects given that our Group's operation capacity is inelastic in short-term and it is not feasible to increase our operation capacity by increasing the manpower and number of machinery immediately to cope with any short-term increase in workload of our Group. Although we have the required skills to carry out the sub-subcontracted part of our foundation works, we will engage sub-subcontractors when it is expected such sub-subcontracting arrangements will bring economic benefits to our Group. Some of our subcontracts between our customers and our Group provide that we may sub-subcontract the works if our customers allow us to do so. Although some subcontracts do not contain similar terms, our Group is not prohibited from sub-subcontracting under those subcontracts. For those foundation projects which we sub-subcontracted out during the Track Record Period, our Directors confirmed that the relevant customers allowed us to do so.

We maintain a list of sub-subcontractors who are assessed and approved by our Directors. The assessment may include: (i) evaluation of sub-subcontractors recent performance; (ii) whether the sub-subcontractor has an approved quality assurance system and if the standard is appropriate to meet the job requirements; (iii) third party assessments or certification held by the sub-subcontractor; and (iv) whether the sub-subcontractor may have sufficient resources and skills to fulfill the specific requirements. Each sub-subcontractor on our list will be given a quality assurance rating, ranging from 1 (lowest) to 5 (highest). We will select sub-subcontractors from our approved sub-subcontractors list based on their previous experience, skills for specialised job, present work load, price quotations and quality assurance rating in making sub-subcontracting arrangements. Our sub-subcontractors are neither our employees nor agents and we are not a party to the employment arrangement between our sub-subcontractors and their employees.

We annually review and update our internal approved list of sub-subcontractors according to their performance assessment. Our project managers have to meet with the engaged sub-subcontractors and closely monitor the work progress and performance of the sub-subcontractors. The standard sub-subcontract agreements entered into between our Group and the sub-subcontractors provide that the respective sub-subcontractors are required to observe all the requirements and provisions of the relevant subcontracts entered into between us and our customers. In order to ensure the quality of works to be provided by our sub-subcontractors, in general, they are not allowed to further subcontract their works assigned by us.

The sub-subcontract fee is arrived at after arm's length negotiation between our Group and the sub-subcontractor with reference to (i) the subcontract fee to be paid by our customer of the subject project to us; and (ii) the labour and other relevant costs quoted by the sub-subcontractor. Our Directors believe that the basis of determination of sub-subcontractors fee is similar to our Group's price determination, which is based on estimated project costs (mainly including machinery usage cost, direct labour cost and construction material costs) plus a mark-up margin. We impose a standard form of sub-subcontract to be entered into with our sub-subcontractors. The major terms are set out below:

- |                       |   |
|-----------------------|---|
| Payment term:         | The purchase of product made in one calendar month must be settled 30 days after that month.  |
| Our responsibilities: | We should ensure our customers have taken out appropriate third party insurance policy as well as employees' compensation insurance policy. |

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- Termination of sub-subcontracts: We may terminate the sub-subcontracts and without compensating the sub-subcontractors if the sub-subcontractors:
- (a) forfeit the subcontract;
  - (b) cease to perform, fail to perform or try its best endeavor to perform its obligations under the sub-subcontract without reasonable cause;
  - (c) continuously breach the obligations under the sub-subcontracts;
  - (d) assign or sub-let the sub-subcontract work; and
  - (e) enter into bankruptcy or liquidation or is unable to repay its debt.

Pursuant to applicable law or the subcontract entered into with our customers, we may be liable to our customers for the performance of our sub-subcontractors. We may also be liable to any potential employees compensation claims and personal injuries claims made by the employees of our sub-subcontractors arising from works injuries as may happen from time to time. Therefore, we carry out regular assessment of our sub-subcontractors during the course of a project to ensure quality of their works. Our project managers and safety officer will make regular site visits to ensure general compliance by our sub-subcontractors in all respects particularly regarding safety and environmental requirements.

As at 31 March 2013, we have 16 internally approved local sub-subcontractors who are able to handle construction engineering works such as drilling, welding and grouting. Their years of business relationships with our Group as at 31 March 2013 ranged from less than a year to over 10 years. One of our sub-subcontractors is one of our five largest suppliers during the Track Record Period, accounted for approximately 5.8% of our total procurement for the financial year ended 31 March 2013, and this sub-subcontractor was an Independent Third Party and none of our Directors, their associates or any Shareholders (which to the best knowledge of our Directors will own more than 5% of the issued share capital of our Company immediately upon completion of the Share Offer) had any interest in this sub-subcontractor.

### **Duration of our foundation projects**

Duration of our foundation projects are affected by a wide range of factors including technical complexity, geological conditions, input of machines and labour and expectation of project employers etc., which can vary widely. The expected project duration and completion time are stated in the subcontract entered into between us and our customers. The construction periods of most of our foundation projects during the Track Record Period varied from three months to twelve months. Foundation project duration may sometimes be lengthened due to unanticipated weather and geological conditions, exceptional technical complexities and additional requirements from project employer after project commencement. In such cases, we will discuss with our customers with an aim to restate the estimated project duration and to adjust our previous quotation. During the Track Record Period, we had not been penalised by our customers as a result of delay in project completion.



**Guaranteed maintenance period**

Our customers would normally require a guaranteed maintenance period, during which we will be responsible to rectify construction defects. The guaranteed maintenance period refers to the period from the completion of foundation works performed by us to the issue of certificate of completion of making good defect. Under the usual terms of the subcontracts, we are required to rectify all defective works during the guaranteed maintenance period (if any), which the length of guaranteed maintenance period normally ranges from 6 months to 12 months, which depends on the nature and the scale of the foundation project.

During the Track Record Period, we had not experienced any claim by our customers in respect of our foundation works and we had not been required to carry out any rectification work.

**Progress payment and retention money**

We normally receive progress payment from customers on a monthly basis by reference to the value of works done. In general, we submit an interim invoice to our customers, who are the foundation contractors, on a monthly basis detailing to the amount of works completed during the preceding month. Once we have provided our interim invoice, our customers would issue a progress certificate certifying our works progress during the preceding month. It normally takes less than 30 days for such certificate to be issued and our customers are normally required to make payments within 30 days after receiving the invoice submitted by us.

In most subcontracts, there is a term for our customers to hold up an amount of construction fee as retention money from the progress payment. The retention money is retained by our customers at a rate of 5% to 10% of each interim payment made to us and up to a maximum limit of 5% of the total subcontract sum in some cases. Generally, in our subcontracts relating to private sector projects, the first half of the retention money is released upon completion of foundation works performed by us and the second half of the retention money is released to us upon six months of completion subject to customer's satisfaction with no outstanding remedial works. Whereas for our subcontracts relating to public sector projects, normally half of the retention money is released upon completion of foundation works performed by us and the second half of the retention money, depending on contracts terms, may be released to us upon 12 months of completion or in other cases, upon the issuance of certificate of completion of making good defect. As at 31 March 2013, retention receivables held by our customers excluded from trade receivables amounted to approximately HK\$27.0 million.

Our Group recognises revenue from foundation works based on the stage of completion of the foundation projects. The stage of completion is established by reference to the amount of completed foundation works certified by our customers. The portion of total subcontract sum that is certified to be payable to us (based on the certified percentage of foundation works completed) is recognised as revenue of our Group in the period we exactly finish that portion of works. It normally takes less than 30 days for the customer progress certificates to be issued, and the certification date may not fall exactly on the end of our Group's reporting period. In this case, the value of works performed by our Group in a particular foundation project before the end of reporting period is recognised as our Group's revenue for that reporting period if such portion of works is properly certified subsequently even though the date of certification is after the end of reporting period.

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We normally pay our sub-subcontractors on a monthly basis with reference to the value of the works done by our sub-subcontractors. Each of the sub-subcontractors is required to submit a request for payment to us on a monthly basis. Once we have verified the sub-subcontractor's request against the actual works done, we will release the relevant proportion of the sub-subcontracting amounts to our sub-subcontractors. Payments are generally made within 30 days after the sub-subcontractor's request.

### MACHINERY

Most of our works require the use of different machines. Since our establishment, we have been acquiring machines, many of the machines are manufactured in Japan, Europe and the United States. We believe our investment in such machines has placed us in a position to cater for larger scale and more complex foundation contracts and to meet the expected growing demand in major infrastructure and building developments in Hong Kong in the foreseeable future. We have made substantial investment in machinery in recent years. For each of the three years ended 31 March 2011, 2012 and 2013, we acquired new machinery in the amount of approximately HK\$13.9 million, HK\$14.6 million and HK\$13.7 million respectively. As at 31 March 2013, our machinery had a total net book value of approximately HK\$22.0 million.

The principal machinery of our Group include the following:

- (i) drilling rig: it is a track mounted machine used with hydraulic drilling equipment in socketed H-pile or mini-pile;
- (ii) air compressor: it is a device that converts power of a diesel engine into kinetic energy by compressing and pressurizing air;
- (iii) vibratory hammer: it is used to vibrate the temporary casing of the socketed H-pile for easy extraction; and
- (iv) grout pump: it is used for pumping most grout mixes used in combination with sealing and reinforcement work.

We emphasise on the maintenance of our machinery. We believe that the condition of our quality machinery is crucial for us to complete foundation works smoothly and efficiently. As a result, many of the repairs and maintenance of our machinery is handled by our repair and maintenance team at our warehouse in Hong Kong. During the Track Record Period, we also outsourced some simple repairs to Independent Third Parties. The average age of our machines is approximately 5.9 years as at 31 March 2013. Our major machines are inspected and serviced on an as-needed basis and they are generally serviced at our warehouse around three to eight times a year depends on how frequent they are used and the working conditions at site areas. As a result of our emphasis on the maintenance of our machinery, the operational life of our major machinery is relatively long and we only replace the aged machinery when necessary. During the Track Record Period, we disposed four machines which could not function normally.

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

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requirements, among which interest cost is an important factor. For the year ended 31 March 2013, the interest rates ranged from 0.25% to 2% below the current prime rate per annum for our banking facilities (including finance leases).

During the Track Record Period, our Group acquired certain machines by way of finance leases, under which our Group purchased certain machines from suppliers, sold them to bankers and the bankers leased back those machines to our Group at stipulated monthly rents in a fixed term. Under these finance leases, we were given options to purchase these machines at a nominal amount at the end of the lease term. Since the terms of these finance leases transfer substantially all the risks and rewards of ownership of the machines to our Group as the lessee, the relevant machines were accounted for as our Group's assets under the category of property, plant and equipment. Our Group had machinery under finance leases with net book value amounting to approximately HK\$2.0 million, HK\$7.8 million and HK\$6.2 million as at 31 March 2011, 2012 and 2013 respectively, representing approximately 12.5%, 38.7% and 27.9% of the net book value of machinery as at 31 March 2011, 2012 and 2013 respectively.

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

- (i) the utilisation rate of individual machines cannot be clearly defined. A typical foundation project requires the use of different machines at different stages, and machines from time to time are left unused in active construction sites pending for completion of other stages. Machines are also sometimes left unused for repairing, assembling or disassembling in construction sites. For these reasons, it is our Directors' view that it would be difficult and even infeasible to define accurate utilisation rate of machines in general. Besides, it is not practicable for us to make a full account of the daily/hourly usage of each individual machine; and
- (ii) as at 31 March 2013, our Group had over 190 pieces of machinery and equipment in use. A foundation project requires several types of machines and equipment and, therefore, it would be difficult for us to identify one or a few types of machinery and equipment that are most crucial to the operation of our Group.

### CREDIT POLICY

Before deciding whether to submit a quotation, we normally consider factors such as the creditworthiness of the relevant customers and the key subcontract terms. During the Track Record Period, all of the foundation works undertaken by us were awarded by way of quotations.

We will closely monitor the payments from our customers pursuant to the terms of each respective subcontract. In addition, our executive Directors also take into account the length of business relationship, past reputation, financial strength and repayment history of each of our customers to monitor the payments. Monthly meetings are held between our executive Directors, project management teams and accounts department to review the aging status of our trade receivables. Settlement is monitored by our project managers and accounts department. For overdue balances, our executive Directors and project managers will be alerted and appropriate follow up action will be taken such as follow-up telephone calls made by our executive Directors.

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Credit terms given to our customers are generally set out in the relevant subcontract. Generally, payment is due within 30 days after our submission of interim invoice to our customers. Our trade receivables are normally settled by cheque. Further details on our receivable turnover day are set out in the section headed “Financial information — Analysis on various items from the statements of financial position — Trade and other receivables” in this prospectus. Our Directors determine specific provision for doubtful debts on a case-by-case basis. We did not make any provision for doubtful debts during the Track Record Period.

### **QUALITY CONTROL**

Our Directors believe that our financial results and hence our profits depend on our ability to meet our customers’ requirements in all respects. We have established formal quality management system in accordance with the requirements of ISO 9001:2008 to develop a sustainable performance-oriented culture with an emphasis on pursuing continuous improvement rather than adopting a short-term and project based approach.

We emphasise on quality control as we believe completing foundation works that meet or exceed our customers’ requirements is crucial not only for building safety, but also for our good track record and future business opportunities. To ensure our works meet the required standards, we assign at least one foreman on a full time basis at each of the construction sites as the first line of monitoring of the quality of foundation works done by our own staff and, as the case may be, our sub-subcontractors. Our project managers are responsible for monitoring works quality and progress of works and ensuring that works are completed according to schedule.

Furthermore, our project management teams communicate frequently with our executive Directors and our executive Directors closely monitor each of the projects’ progress and discuss issues identified to ensure the foundation works (i) meet our customers’ requirements; (ii) are completed within the time stipulated in the contract and the budget allocated for the project; and (iii) comply with all relevant codes and regulations applicable to the works. Since remedies for defective piling works are often not possible once construction works for the superstructure have commenced, we or our customers would engage third party to conduct thorough testing of the piles before completion of foundation works so as to ensure that our piling works meet or exceed the required standards prior to commencement of construction works of the superstructure.

With regards to construction materials, unless our customers designate the suppliers, we generally procure cement from our internal list of approved suppliers which we have had satisfactory past business relationships to ensure consistency of quality. The construction consultants of project employers would also collect samples of the cement used by us at the construction sites and engage independent laboratories conducting tests on the strength from time to time.

### **ENVIRONMENT**

Our business is subject to certain laws and regulations in relation to environmental protection. Please refer to the section headed “Laws and Regulations” in this prospectus sets out further information about such laws and regulations. Our Directors believe that it is essential for us to be environmentally responsible and to meet our customers’ demands in environmental protection and at the same time meeting the community’s expectation for a healthy living environment.

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In general, the permitted hours for operation at construction site is from 7:00 a.m. to 7:00 p.m. Monday to Saturday. Works are generally not permitted on Sunday and public holidays. Under certain circumstances, our customers may apply for special extension to carry out works during prohibited hours. Although we committed to observe the restricted hours of operations stipulated in the construction noise permit, our customers may receive complaints from nearby residents regarding disturbances caused by operation of our machinery during the permitted hours. Under such circumstances, our customers will work with the relevant authorities and the person making the complaint to mitigate the disturbances caused by us during the permitted hours.

During the Track Record Period, we have not been prosecuted under the relevant applicable environmental laws and regulations.

### **SAFETY AND INSURANCE**

#### **Safety**

We emphasise the health and safety of our employees and we are committed to providing a safe and healthy working environment for the benefit of our staff, our sub-subcontractors and the general public. To this end, we have implemented safety plan to promote occupational health and safety at construction sites and to ensure compliance with the applicable laws and regulations in Hong Kong.

Our safety plan is documented in writings and supplemented with instructions, trainings and demonstrations. We require strict implementation of our safety plan. In addition, we have a qualified safety officer approved by the Labour Department in Hong Kong to monitor and implement our safety plan. We will continue to put adequate resources and effort to uphold and improve our safety management in order to reduce our risks related to safety issues.

Our safety plan adopted and used during the Track Record Period sets out work safety measures to prevent common accidents which could happen at construction sites. Some details of which are summarised below:

<b>Categories</b>	<b>Safety measures</b>
Lifting operations	<ul style="list-style-type: none"><li>● Safety supervisor and foreman shall supervise lifting operations and ensure the procedures are properly followed</li><li>● Provide details to relevant workers in relation to (i) safety precautions in moving machinery; and (ii) safety margin regarding maximum force acting on the crane during operation</li><li>● Hand signals and any communications shall be given to the machinery operator by one signaler at a time</li><li>● A set of standard signaling codes shall be adopted</li><li>● The signaler is responsible for keeping mechanical and electrical signal system in good order</li></ul>

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<b>Categories</b>	<b>Safety measures</b>
Mechanical/manual materials handling	<ul style="list-style-type: none"> <li>● Safety supervisor shall carry out assessment for mechanical/manual lifting activities</li> <li>● The workers responsible for manual materials handling shall be trained and assessed by the safety supervisor and they should have a lifting test for a weight of 15kg</li> <li>● Safety supervisor shall request the workers to have medical check if he/she finds the worker is not physically or medically fit for manual materials handling</li> </ul>
Welding/cutting operation and equipment	<ul style="list-style-type: none"> <li>● All welding operators shall have at least 5 years related experience or have passed the test held by relevant approved authorities</li> <li>● Welders engaged in flame cutting shall be the competent welder having received suitable training and issued with a certificate under the Gas Welding and Flame Cutting Regulations</li> <li>● No cable wire is allowed to trail on ground without additional protection</li> <li>● Power supply for electrical welding, shall be provided with three cores grounded cables and connections made with three pin plugs and sockets of waterproof design</li> <li>● Welder shall check all portable electrical tools on regular basis. Any defects must be rectified, recorded and dated after inspection</li> <li>● Suitable eye protector shall be provided to the workers and used for electrical welding process</li> </ul>
Piling	<ul style="list-style-type: none"> <li>● Operators of the lifting appliances shall pay attention during lifting operation. Materials should be vertically lifted up or down</li> <li>● Proper working procedures and adequate safety training shall be provided to all relevant employees</li> <li>● No entry is allowed to pre-bored hole</li> <li>● Workers shall wear ear protectors</li> </ul>

Due to the nature of works in the construction industry, risks of accidents or injuries to workers are inherent. Although our Group has implemented safety plan to mitigate such safety risks, the occurrence of accidents or fatal injuries to workers at construction sites cannot be completely eliminated. For the three years ended 31 March 2011, 2012 and 2013 and for the period from 1 April 2013 up to the Latest Practicable Date, we recorded 16, 12, 15 and 5 accidents respectively, involving injuries to 16, 12, 15 and 5 workers who were either employed by our Group or by our sub-subcontractor(s). Our Directors are of the view that these accidents were mainly due to insufficient work safety awareness of the workers. For example, some injured workers did not pay attention to their body posture when handling heavy materials or equipment. Save for the two employees' compensation claims and personal injuries claims and the 9 potential claims as disclosed in the section headed "Business — Litigation,

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arbitration and potential claims” in this prospectus, the injured persons in the other 37 accidents occurred during the Track Record Period have resolved the claims with the insurers before any court action has been taken against the insurers and/or Ngai Shun, and as confirmed with the insurers, the aggregate amount settled between the insurers and the injured persons for the said 37 accidents is approximately HK\$2.7 million. For further details regarding potential prosecutions are set out in the section headed “Business — Litigation, arbitration and potential claims” in this prospectus.

A table showing the nature of injuries in relation to our recorded accidents for the three years ended 31 March 2011, 2012 and 2013 and for the period from 1 April 2013 up to the Latest Practicable Date is set out below:

<b>No.</b>	<b>Details of accident and nature of injuries</b>	<b>Underlying causes of accident</b>
<i>For the year ended 31 March 2011</i>		
1	Injured while lifting steel casing; Left ring finger injury	Worker’s lack of safety awareness
2	Injured while carrying construction material; Sprained back	Improper posture in manual work
3	Struck by hook & injured whilst carrying O-Ring; Index finger injury	Worker’s lack of safety awareness
4	Slipped and struck by stationary object; Back injury	Wet and slippery working area
5	Injured while striking against stationary object; Right middle finger injury	Worker’s lack of safety awareness
6	Slipped and fell on stationary object; Left foot fracture	Wet and slippery working area
7	Slipped while carrying tube; Sprained left ankle	Wet and slippery working area
8	Finger trapped between steel casing; Right little finger fracture	Worker’s lack of safety awareness
9	Injured while carrying grouting pipe; Right ring finger distal phalanx fracture	Worker’s lack of safety awareness
10	Injured while lifting drilling rod; Left iliac injury	Poor lighting in working area
11	Struck by moving object while dispelling drilling head; Left eye injury	Inappropriate use of equipment
12	Injured while carrying steel H-pile; Right middle finger and ring finger injury	Improper posture in manual work
13	Injured while manual handling construction material; Left hand injury	Improper posture in manual work
14	Injured while grouting; Mouth contusion	Worker’s lack of safety awareness
15	Struck against moving object and fell from 0.5 metre high while lifting construction material; Left wrist fracture	Worker’s lack of safety awareness
16	Struck against stationary object while near pile driver; Right lower chest contusion	Worker’s lack of safety awareness



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<b>No.</b>	<b>Details of accident and nature of injuries</b>	<b>Underlying causes of accident</b>
<i>For the year ended 31 March 2012</i>		
1	Injured while washing grout hole; Sprained back with low back pain	Improper posture in manual work
2	Injured while walking around grouting station; Sprained left wrist	Worker's lack of safety awareness
3	Struck against lifting gear; Fracture left ring finger distal phalanx	Worker's lack of safety awareness
4	Injured while grouting; Sprained back with low back pain	Improper posture in manual work
5	Struck against steel casing while lifting it; Left thumb crush injury	Worker's lack of safety awareness
6	Struck against steel H-pile while lifting it; Right ankle injury	Worker's lack of safety awareness
7	Slipped while replacing grouting tube; Low back pain	Worker's lack of safety awareness
8	Hit by hand tool while grouting; Right wrist contusion	Worker's lack of safety awareness
9	Injured while manual handling construction material; Right ankle injury	Worker's lack of safety awareness
10	Attacked by a man; Right leg open fracture	Body assault by third party
11	Injured while using frame cutter; Left foot injury with multiple fractures	Worker's lack of safety awareness
12	Injured while manual handling steel casing; Back pain	Worker's lack of safety awareness
<i>For the year ended 31 March 2013</i>		
1	Fell from a cargo while climbing down; Back, right elbow and right leg injury	Worker's lack of safety awareness
2	Struck by plastic part whilst using frame cutting; Right index finger injury	Inappropriate use of equipment
3	Slipped; Right foot sprain injury	Wet and slippery work area
4	Injured while carrying steel bar; Right wrist injury	Improper posture in manual work
5	Fell from about 1.5 metres high while working in mancage; Left knee injury	Operator's lack of safety awareness
6	Injured while carrying construction material; Right middle finger injury	Worker's lack of safety awareness
7	Injured while carrying construction material; Right hand injury	Worker's lack of safety awareness



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<b>No.</b>	<b>Details of accident and nature of injuries</b>	<b>Underlying causes of accident</b>
8	Injured while carrying construction material; Low back injury	Worker's lack of safety awareness
9	Fell from about 13 metres high while working in man cage; Left elbow injury	Worker's lack of safety awareness
10	Injured while carrying steel pile; Left index finger injury	Worker's lack of safety awareness
11	Struck by steel bar while lifting construction material; Right thigh contusion by material	Worker's lack of safety awareness
12	Tripped by gas hose and struck by stationary object; Left fibula fracture	Untidy working area
13	Slipped; Hip contusion	Wet and slippery working area
14	Right palm trapped between steel casing while untying lifting gear; Right palm injury	Worker's lack of safety awareness
15	Injured while manual handling some discarded construction material; Left little finger crush injury	Worker's lack of safety awareness

***After Track Record Period and up to the Latest Practicable Date***

1	Struck by drilling rod while installing drilling rod; Right forearm injury	Worker's lack of safety awareness
2	Struck by part of the pump while maintaining grouting pump; Left middle finger injury	Inappropriate use of equipment
3	Struck against lifting gear while untying it; Right middle finger injury	Worker's lack of communication
4	Fell from a platform of four metres high; Head injury	Lack of barrier to the platform
5	Struck by a locking pin falling from a drilling rod; Right hand injury	Worker adopting an incorrect method to remove the locking pin of the drilling rod

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A table comparing the construction industry average rate against our Group in regards to accident rate per 1,000 workers and fatality rate per 1,000 workers is set out below:

	<b>In construction industry (note 1)</b>	<b>Our Group's construction sites (note 2)</b>
<b>2010</b>		
accident rate per 1,000 workers	52.1	77.3
fatality rate per 1,000 workers	0.163	—
<b>2011</b>		
accident rate per 1,000 workers	49.7	59.8
fatality rate per 1,000 workers	0.367	—
<b>2012</b>		
accident rate per 1,000 workers	44.3	52.8
fatality rate per 1,000 workers	0.337	—
<b>2013 (January to June)</b>		
accident rate per 1,000 workers (note 3)	N/A	14.4
fatality rate per 1,000 workers	N/A	—

*Note 1:* Occupational Safety and Health Statistics Bulletin Issue No. 13 (June 2013) by Occupational Safety and Health Branch Labour Department.

*Note 2:* Our Group's accident rate is calculated as the occurrence of accident during the calendar year divided by the daily average construction site workers in the construction sites during the calendar year. The daily average construction site workers include employees of our Group and its sub-subcontractors.

*Note 3:* To annualise our accident rate for the period from January to June 2013, we assumed (i) the number of accidents to happen during the second half of 2013 would be the same as the number of accidents occurred during the first half of 2013; and (ii) the monthly average number of workers at construction sites would be the same as that of the first half of 2013. Based on these two assumptions, the annualised accident rate is 28.8 per 1,000 workers.

*Note 4:* Our Group's accident rate for the period from January to September 2013 is 19.5 per 1,000 workers.

A table showing our Group's lost time injuries frequency rates (LTIFRs) is set out below:

2010	25.9
2011	20.4
2012	19.1
2013 (January to September)	8.9

*Note 1:* LTIFR is a frequency rate that shows how many lost time injuries (LTIs) occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFR is calculated as multiplying the number of lost time injuries of our Group happened in the calendar year by 1,000,000 and then dividing by the number of hours worked by the workers over that calendar year.

*Note 2:* Our LTIs were determined based on the payroll record of our Group.

*Note 3:* The number of working days of workers for 2010, 2011, 2012 and 2013 (January to September) were approximately 65,560 days, 68,562 days, 77,910 days and 67,144 days respectively. It is assumed that the working hour of each worker is 10 hours per day.

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Although the accident rates of our Group were higher than the industry average in 2010, 2011 and 2012, our Group recorded no fatal injuries at our construction sites during the Track Record Period and up to the Latest Practicable Date. Our Directors confirmed that saved as disclosed in this prospectus we have complied with all the relevant laws, rules and regulations relating to safety and health in Hong Kong as at the Latest Practicable Date. Our Directors consider that our accident rates were relatively high mainly because of insufficient work safety awareness of the workers who were employed by our Group or by our sub-subcontractor(s) and that socketed H-piling and mini-piling may involve comparatively more manual handling work which increased the likelihood of our workers having minor injuries to their limbs. As a result, our Group implemented additional safety measures (including measures to enhance work safety awareness) since January 2013. Our Directors confirm that during the Track Record Period and up to the date hereof, (i) our Group has filed and reported to relevant authorities all work-related accidents and injuries which have been reported to us; and (ii) save as disclosed in the section headed “Business — Litigation, Arbitration and Potential Claim” in this prospectus, such authorities have not imposed any penalty, conditions or specific safety requirements on our Group. As none of these work-related accidents has incurred serious injuries or is serious in nature, our Directors believe that such work-related accidents and injuries have no material impact on our retention of specialist contractor license going forward.

Despite the higher than average accident rates during the Track Record Period, our Directors are of the view that the overall accident rate may not be an appropriate indicator of our machinery operation skill level for a foundation work company. In fact, 47 out of 48 accidents happened during the Track Record Period and up to the Latest Practicable Date are not related to our machinery operators, which shows that there was no direct correlation between the accident rates and the machinery operation skills. We have 42 machinery operators as at 31 March 2013, more than 60% of whom have at least 10 years of experience working with us. We believe that machinery operation skills are developed through persistent practice of our machinery operators at construction sites in various locations with different geological characteristics and their experience working at construction sites in various locations with different geological characteristics are invaluable knowledge acquired in order to operate our machinery effectively and efficiently.

Our Group implemented additional measures since January 2013 according to the advices from an experienced safety consultant with a view to reducing the frequency of accidents at construction sites. Details of the additional measures are summarised below:

- (i) 12-hour Safety Management Course was provided by Hong Kong Construction Industry Council (“HKCIC”) or Occupational Safety and Health Council to our senior staff members;
- (ii) eight of our frontline staff completed the Site Foreman Safety Training Course in HKCIC;
- (iii) we increased the headcount of qualified staff, who hold the certification of construction materials rigger in HKCIC, to 44 since lifting operation belongs to high risk activity;
- (iv) we enhanced the safety promotion programme such as granting accident free bonus of HK\$1,000 for each accident-free month to each relevant worker;

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- (v) we provided further technique safety training to our machinery operators and relevant workers;
- (vi) we implemented the new comers caring program e.g. displayed “P” & “N” labels on helmet to take care the new workers on site. Under this program, workers would be classified as “Probationers” for those who newly join the construction industry and “Newcomers” for those who are new to a construction site;
- (vii) we implemented graphical working procedures for construction workers e.g. displayed graphical safety working procedures in the workplace;
- (viii) we distributed reminders on recent serious accident cases in the industry to increase the safety awareness of our workers;
- (ix) we ran the trial of “Pointing & Calling” in designated foundation projects, specific training were held during the first half of 2013. It is a method in occupational safety for avoiding mistakes by pointing at important indicators and calling out the status loud, which helps keeping focus and attention; and
- (x) we prepared checklist for each of our major machines to record the expiry date of relevant certificate and such checklist is reviewed by our Directors on a monthly basis.

To ensure the aforesaid safety measures have been effectively implemented, our Directors have reviewed the safety training records on a monthly basis and visited the construction sites at least once a week for checking the enhanced safety procedures and operation. Our Directors also participate in safety audit which involves examination of effectiveness, efficiency and reliability of our Group’s occupational safety procedures and health management system with a view to further improving our safety plan. Our Directors are responsible to review and sign the major documents regarding the safety audit such as the documents in relation to major findings and correctional procedures. After the implementation, our Group’s accident rate for the period from January to June in 2013 decreased to 14.4 per 1,000 workers, which is significantly lower than the accident rate of 30.0 per 1,000 workers for the corresponding period in 2012. We recorded five accidents, which caused injuries to the workers’ forearm, fingers or head, since the implementation of the additional safety measures and up to the Latest Practicable Date. Having considered (i) that the safety consultant engaged by our Group has a Ph.D. degree in the field of Safety and Health Management System granted from The University of Hong Kong and has 36 years of local construction site experience including 27 years in occupational safety and health; and (ii) the reduction in our accident rate, our Directors are of the view, and the Sponsor concurs with their view, that the additional work safety measures are adequate and effective in reducing the frequency of accidents at construction sites.

### **Insurance**

In general, pursuant to the subcontracts entered into between foundation contractors and subcontractors and confirmed by our Directors as a standard and common industry practice, the foundation contractors (our customers) will be responsible for employees’ compensation insurance and contractor’s all risks insurance for the foundation projects. The coverage of such insurance policies includes works performed by the foundation contractor (our customer) and its subcontractors (including us). However, we, as a subcontractor, are required to maintain basic insurance for our employees who

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work at offices and warehouse as required by relevant laws and regulations of Hong Kong. It is therefore confirmed by our Directors that save as the accidents occurred at our offices or warehouse which are covered by the insurance maintained by our Group, all foundation projects undertaken by us and the relevant employees are respectively protected by the insurance maintained by foundation contractors (our customers), which terms depend on the relevant subcontracts. We do not take out separate insurance policies in relation to each foundation project but will rely on the insurance policies taken out and maintained by our relevant customers. The reliance of us on the foundation contractors' (our customers') insurance policies is explicitly provided for in our standard quotations submitted to foundation contractors (our customer) as a condition to the relevant subcontracts.

We consider the aforesaid insurance coverage sufficient for our liabilities under employees' compensation claims and personal injuries actions at the construction sites. For machinery acquired under finance leases, the banks also require us to maintain insurance coverage over those machines. Taking into account the insurances taken out by our Group, our Directors believe that we have obtained adequate insurance coverage for the operation of our foundation business.

### COMPETITION

According to the Ipsos Report, the foundation subcontracting industry in Hong Kong is a specialised segment in the construction industry. The market competition is intensifying in competing for profitable projects as the construction cost increases. Many foundation contractors and subcontractors are interested in capturing projects in the private high-end or luxury building sectors and especially the ten infrastructure projects, such as Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge, and Kai Tak Development.

Our Directors consider that there are market entry barriers to the foundation industry in Hong Kong which hinder new players from entering into the foundation industry. Such entry barriers include (i) specialised knowledge and qualification on foundation works; (ii) relationship with Main Contractors; (iii) substantial initial and continual capital; and (iv) specialised machinery for better flexibility, details of which are described in the section headed "Industry overview — Competitive landscape of foundation industry in Hong Kong — Market entry barriers" in this prospectus.


Our Directors believe that our competitive strengths will enable us to maintain our position as one of the active market players in the Hong Kong foundation industry. Our competitive strengths include the following:

- our long-term history and our experienced management;
- experienced and professional project management teams and machinery operators;
- long-term relationships with our major customers;
- possession of and ability to modify imported machinery; and
- flexibility and capability to contribute advices and make appropriate adjustments.

Details of our Group's competitive strengths are set out in the section headed "Business — Competitive strengths" in this prospectus.

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### INTELLECTUAL PROPERTY RIGHTS

We have marketed our business in Hong Kong using Ngai Shun as our brand name, and the registration of our trademark  in Hong Kong will be completed after Listing. Detailed information of our intellectual property rights is set out in the section headed “Intellectual property rights” in Appendix IV to this prospectus.

### EMPLOYEES

As at 31 March 2013, we had 190 full-time employees who were directly employed by our Group in Hong Kong. A breakdown of our employees by function as at the same date is set forth below:

	<b>As at 31 March 2013</b>
Directors	3
Project management (including project managers, foremen/safety supervisor)	24
Administration, accounting and finance	6
Machinery operation	42
Technical personnel	11
Other direct workers	<u>104</u>
Total	<u><u>190</u></u>

The relationship and cooperation between our management and employees have been good and is expected to remain amicable in the future. There has not been any incidence of work stoppage during the Track Record Period and up to 31 March 2013, which adversely affected our operations.

We believe that our employees are important assets to our Group. New employees are required to undergo training to familiarise themselves with the rules and regulations and the requirements of their job before they start work. They are also subject to a three-month probation period. At the end of the probation period, they will be confirmed as full-time employees if their respective supervisors are satisfied with their performance during the probationary period.

We also emphasise on the continuing education and quality training of our staff and developing their management and decision-making abilities to enhance their work performance. We provide training programmes to our relevant employees to assist them in acquiring advanced knowledge and skills in respect of machinery operation, occupational safety and quality control. We consider that our training programme is not only used as a platform to constantly upgrade the skills of our employees, it is also used to encourage greater cohesion within our Group, so as to increase overall efficiency and loyalty to our Group, and also as a means of retaining quality employees.

We aim to review the performance of our employees at least once a year, the results of which are used in determining annual bonus, salary adjustments and promotion appraisals. We conduct research on remuneration packages offered for similar positions in construction industry in Hong Kong, which we believe helps us remain competitive in the labour market.

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Our experienced machinery operators who have well-developed practical skills are important to our operation efficiency. Therefore, if all or a majority of the 42 machinery operators leave the Group at the same time, material disruption to the Group's operation would be expected. However, our Directors are of the view that this is unlikely to occur because (i) our staff enjoy job security, as we did not carry out any layoff of redundant staff in the past, even during the period of recession in the foundation industry; (ii) over 60% of our machinery operators have been working with us for at least 10 years; and (iii) we have the aforesaid measures to retain our employees.

### PROPERTIES

We do not own any property and we lease all of the premises occupied by us. As at the Latest Practicable Date, we had five leased properties located in Hong Kong. Three of these properties are occupied by us as our offices, one of them is occupied by us as warehouse for storing and repairing our machinery and equipment, and the remaining one is used as resting facilities for site workers. Our Group's leased properties are set out below:

- Workshop 20 on 16th Floor, New Tech Plaza, No. 34 Tai Yau Street, Kowloon, Hong Kong<sup>#</sup>
- Workshop 2 on 23rd Floor, New Tech Plaza, No. 34 Tai Yau Street, Kowloon, Hong Kong
- Workshop 3 on 23rd Floor, New Tech Plaza, No. 34 Tai Yau Street, Kowloon, Hong Kong
- Lot No. 705 in D.D.114, Lam Kam Road, Sheung Tsuen, Hong Kong
- Flat C, 10/F., Block A, Greenland Garden, No. 67 Lyttelton Road, Hong Kong

<sup>#</sup>*Note:* Our Directors understand the landlord has mortgaged the property to the bank and according to the mortgage entered into between the landlord and the bank, a written consent should be obtained from the bank before the landlord could let the premises to a lessee other than the bank. However, as at the Latest Practicable Date, the landlord had not obtained consent from the banks for leasing the premises to Ngai Shun. Should the landlord's bank foreclose or otherwise occupy such premises, we may need to find alternative area. Our Directors believe any relocation will cause minimal disruption to our operation as we only use the premises for office use and there is an ample supply of office available for lease in the same area. We expect that it will only take around one month for renovation and removal of the said office and no significant costs and expenditures will be incurred in connection with the relocation. As there is only one leased property which may be required to be relocated, our Directors are of the view that this property is not crucial to our operation and that the possible relocation would not affect our business or financial position.

### INTERNAL CONTROLS

Our Directors are responsible for the formulation and overseeing the implementation of our internal control measures and effectiveness of risk management system, which is designed to provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

On 8 January 2013, our Group has appointed an independent internal control consultants, CT Partners Consultants Limited (the "Consultant"), to perform a detailed evaluation under the Committee of Sponsoring Organisations of the Treadway Commission's framework of the adequacy and effectiveness of our Group's internal control system including the areas of financial, operation, compliance and risk management. The Consultant has been appointed as an internal control consultant by a number of listed companies to report to their respective audit committees. The engagement director

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of the Consultant is a Certified Internal Auditor, a practicing member of the Hong Kong Institute of Certified Public Accountants, a member of the Society of Chinese Accountants & Auditors, a fellow member of the Association of Chartered Certified Accountants, a member of the Association of International Accountants, a member of Canadian Certified General Accountants Association, and a member of the Taxation Institute of Hong Kong and a Certified Tax Adviser (HK). According to the result of the follow up review by the Consultant on 8 April 2013 and 22 May 2013, our Group had implemented measures and rectified deficiencies as recommended by the Consultants. The details of the major findings and recommendations provided by the Consultants are as below:

### **Internal Control Review Findings**

- Our Group did not have formal staff handbook, internal control manual and compliance manual before January 2013.
- Our Group had no risk register to document the different risks of operation.
- Our Group has no internal audit department monitoring the effectiveness of internal control procedures and compliance with policies and standards.
- Our Group had no policy and procedures regarding the whistleblower program, including communications with other departments and business units.
- Our Group had no formal performance appraisal form to record the staff performance and give feedback to staff for further improvement.
- Our Group had no standard checklist to ensure the completeness of project files.
- Our Group had no project file register to record number of file and its location.
- The number of payment vouchers should be cross check with payment register. Our Group had not applied voucher numbering system in payment procedure.

### **Recommendations**

- Our Group should set up formal staff handbook, internal control manual and compliance manual.
- Our Group should maintain risk register to ensure the risk are closely monitored by the Directors.
- Our Group may consider setting up an internal audit department or outsourcing the function to external consultants.
- Our Group should set up the whistleblower program, including communications with other departments and business units.
- Our Group should set up formal performance appraisal form to record the staff performance and give feedback to staff for further improvement.
- Our Group should set up a checklist for each project file to ensure the project documents have been properly reviewed and filed.
- Our Group should set up a project file register to record number of project file and its location.
- Our Group should check completeness of sequential payment voucher number to ensure financial report is reliable.



### **Foundation business**

We have detailed internal manuals governing the procedures for foundation business. Our staff is required to adhere strictly to our staff handbook, internal control manual and compliance manual. Below sets out some of our significant internal control measures in connection with our foundation business.

### **Sales cycle**

The foundation projects undertaken by us are awarded by way of quotation arranged by our customers who are the foundation contractors. We will review and assess potential projects and then decide on projects which we believe to be profitable and manageable. During preparation of, and prior to submission of quotations, we will commence preliminary work for the preparation such as understanding the project specifications and requirements and physically visiting the site, and all Directors will review the proposal.

We will take into account of various factors, including the site conditions, price of construction materials as quoted from our suppliers, human resources, progress of planned works, availability of machineries and other factors in preparing quotation.

When we are awarded with a subcontract, our management will form a project management team and prepare a risk assessment on project. A detailed project plan include formulating detailed works programme, procurement of construction materials, delegation of works to sub-subcontractors if necessary, coordination with our customers or the construction consultants, and with sub-subcontractors and suppliers will also be prepared. All works pertaining to the foundation will conform to the project plan.

According to our internal manuals, during the launching phase of a foundation project, our Group will check the availability for mobilisation of machinery, technical specifications and requirements, number and type of plants required, methods to be used, availability of survey setting out, construction sequence, environmental safety, electricity and water supply. All works pertaining to the foundation are to be recorded on the respective records.

Once the foundation works are completed in accordance with the drawings, specifications and being inspected by our customers, the records are to be signed by our customers' site representative.

### **Procurement and sub-contracting cycle**

We are principally engaged in the foundation business and most of our works required the use of machinery with consumable parts. Apart from machinery, we also required construction materials such as cement and diesel fuel. Unless our customers specify, we usually obtained the materials from suppliers on our list of approved suppliers. We will ensure the materials being ordered are capable of meeting our Group's demand.

We will assess the overall performance, including product quality, timeliness of delivery, reference and reputation in the industry, of potential suppliers/subcontractors to be included in our list of suppliers/subcontractors to ensure that our Group has maintained a reasonably diversified base of reliable suppliers with competitive prices. Purchase order shall be prepared for materials procurement from the list of approved suppliers/subcontractors and approved by the executive Directors.

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Upon receiving construction materials delivered by supplier, the foreman shall verify the construction materials' description, quantities and packaging conditions. The foreman shall sign the delivery documents unless any discrepancy has been found and in such case, the construction materials shall be rejected.

### **Assets protection**

Our Group has made substantial investment in machinery, therefore proper storage of machinery is important to our foundation business operations. Our machinery are safely kept at our warehouse with gate and lock. During the Track Record Period, there was no report where our machines had been intentionally damaged, stolen or robbed.

### **Quality control**

In order to meet our customers' requirements, we have established formal quality management system in accordance with the requirements of ISO 9000:2008 to develop a sustainable performance-oriented culture with an emphasis on pursuing continuous improvement. To ensure our works meet the required standards, our internal control manuals require us to assign at least one foreman at each construction site as the first line of monitoring of the quality of foundation works done by our staff or sub-subcontractors. Foreman will report any non-conformity to the executive Director directly to ensure the rectification works are completed promptly and satisfactorily.

Our project managers are responsible to ensure effective communications with our customers, construction consultants and sub-subcontractors when carrying out of works to the required standard.

### **Safety**

Our Group has implemented safety plan at construction sites to promote occupational health and safety and to ensure compliance with the applicable law and regulations in Hong Kong.

Our safety plan consist of safety procedures in writing and is supplemented with oral instructions, training and demonstration. The safety plan identifies the Group's corporate level on safety and health, and describes the precautionary measures and arrangements designed to eliminate and control the respective hazards to ensure that high standard of safety and health of the project is maintained.

According to the safety plan, our safety officer is in charge of keeping up-to-date safety and health information, including changes of regulations, new codes of practice, newly identified hazards and new work practices, while our respective staff is responsible to disseminate the above information to all concerned parties, the relevant suppliers and subcontractors.

## **RISK MANAGEMENT**

Our Directors have confirmed that during the ordinary course of our business, we are primarily exposed to (i) control risks relating to our overall monitoring system; (ii) regulatory risks in relation to our business; (iii) operational risk; (iv) credit risks relating to trade receivables and (v) market risk relating to changes in macroeconomic environment.

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In order to continuously improve our Group's internal control and risk management system in the future, our Group has established an on-going process for identifying, evaluating and managing the significant risks faced by our Group. The key procedures that our Group has established and implemented are summarised as follows:

- (i) segregation of duties and functions of the respective operational departments of our Group;
- (ii) monitoring the budget and financial performance;
- (iii) reviewing systems and procedures to identify, measure, manage and control reputational, legal, credit, market and operational risks;
- (iv) handling price-sensitive information by setting out the procedures and policies;
- (v) updating the staff handbook, internal control manual and compliance manual when there are changes to business environment or regulatory guidelines; and
- (vi) updating the risk register to follow up any identified risk.

Our Directors have confirmed that during the three years ended 31 March 2011, 2012 and 2013 respectively, save as disclosed in this prospectus, no material failure occurred and we believe that our internal control and risk management system are sufficient and effective.

The following sets out the key risks for our business and the mitigating internal control procedures thereof:

### **Risk control**

Our risk register has identified certain risks that require management, including inappropriate and inconsistent practices, failure to detect unethical behaviors, wrong doings or potential frauds and unauthorised access to confidential information. In order to control such risk, our Group has endorsed staff handbook, internal control manual and compliance manual which requires all directors and employees of our Group to observe.

### **Regulatory risk management**

Upon Listing, our Group may be exposed to the risks of non-compliance with the Listing Rules. We have assigned our financial controller and company secretary, Mr. Ho Cheuk Wai, to update the context of compliance manual at least annually and to distribute to all directors and employees new amendments of the Listing Rules. We will, before Listing, appoint Ample Capital Limited as Compliance Adviser to advise us on compliance issues. All directors and employees are required to acknowledge their understanding of staff handbook, internal control manual and compliance manual at least annually. Our Group will also retain a legal advisor to advise us on compliance matters with applicable Hong Kong laws and regulations.

**Operational risk management**

Our project managers are responsible for maintaining the operation and assessing the operational risks of their respective projects. They are responsible for implementing our risk management policies and procedures. Our project managers visit the project sites from time to time and our project managers will report irregularities in connection with the operation of the projects to the executive Directors for directions.

Our Group emphasises on ethical value and prevention of fraud and bribery. We have established a whistleblower program in March 2013, which will allow and facilitate communication among departments and business units to report any irregularities.

**Credit risk management**

Our Group is exposed to credit risk which may cause financial loss to our Group if our counterparties failed to discharge an obligation. In order to minimize the credit risk, our Group has policy and procedure for determination of credit limits, credit approvals and other monitoring procedures.

Before deciding whether to submit a quotation, our Group will consider factors such as creditworthiness of the relevant customers and the subcontract terms. In addition, our executive Directors also take into account the length of business relationship, past reputation, financial strength and repayment history of each of our customers for monitor the payments.

Settlement is monitored by our project managers and our accounting department. For overdue balances, our executives Directors and project managers will be alerted and appropriate follow up action will be taken such as follow-up telephone calls made by our executive Directors.

When the accounts receivable balances remain unsettled after the agreed credit terms, they will be classified as overdue. For the three financial years ended 31 March 2011, 2012 and 2013 our Group did not make any provision for doubtful debts.

**Market risk management**

Our Group is exposed to general market risks related to changes in macroeconomic environment and movements in market variables such as GDP, interest rates, property price in Hong Kong, and other market changes. Our executive Directors are responsible for identifying and assessing potential market risks and from time to time formulating policies to mitigate these market risks.

**LITIGATION, ARBITRATION AND POTENTIAL CLAIMS**

During the Track Record Period and as at the Latest Practicable Date, our Group had been or is involved in a number of claims, litigations and pending or threatened claims against our Group.

The following claims are related to (i) employees' compensation claims and personal injuries claims; (ii) wage claims; and (iii) criminal charges arising out of our Group's ordinary and usual course of business and are not related to any disputes with the customers of our Group. Set out below are the

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details of the outstanding and pending or threatened claims and litigations against our Group as at the Latest Practicable Date, the material claims and litigations against our Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date:

### (I) Outstanding claims and litigations against our Group as at the Latest Practicable Date

No.	Nature of the incident	Date of the incident	Name(s) of Plaintiff(s)/ Applicant(s)	Name(s) of the Defendant(s)/ Respondent(s)	Amount/estimated quantum of damages claimed (for civil claims)/maximum possible penalty (for criminal litigation)	Insurance coverage	Status
1.	Personal injuries claims (Action no. DCPI 617/2013) — a claim for damages for personal injuries sustained by the plaintiff while he was in the course of employment with Ngai Shun at Ho Sheung Heung, Sheung Shui	15 January 2011	Yeung Chun Sang, an employee of Ngai Shun	Ngai Shun	HK\$1,862,235.20 plus interest and costs	Fully covered by insurance taken out by Ngai Shun ( <i>Note 1</i> )	There is a written instruction from the insurer to Ngai Shun that the insurer has taken over the proceedings. The case has been fixed for checklist review hearing on 28 March 2014.
2.	Criminal charges (Case no. KCS4649/2013) ( <i>Note 2</i> )	14 August 2012	Government of the HKSAR	Ngai Shun	Where the offence was committed without reasonable excuse, up to HK\$200,000 and to imprisonment for 12 months. In any other case, up to a fine of HK\$200,000 ( <i>Notes 2 and 4</i> )	Not applicable	A summons has been issued to Ngai Shun on 7 February 2013. Ngai Shun has pleaded not guilty to the offence and the case is adjourned to 18 October 2013 for part heard.
3.	Criminal charges (Case nos. ESS20154/2013 — ESS20161/2013) ( <i>Note 3</i> )	7 December 2012	Government of the HKSAR	Ngai Shun	The aggregated amount of the maximum possible fines is HK\$1,000,000 ( <i>Note 4</i> )	Not applicable	Ngai Shun has pleaded not guilty to all of the offences at the first trial and the case is adjourned to 25 October 2013 for mention.

*Notes:*

- As the accident occurred at our then warehouse, this case is covered by the insurance maintained by Ngai Shun.

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2. Ngai Shun, being the owner of a power-driven lifting appliance, namely a pile driver, was alleged for failing to ensure that the said lifting appliance was not used for raising, lowering or carrying persons other than in accordance with Regulation 18B(1) of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations, which was in breach of Regulations 18B(2) and 19 of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations.

At the material time, a hoisting steel wire with one metal cage on the leader of the subject piling machine slipped down. It is alleged that the brake of the pile driver was malfunction resulting in the accident. However, it is the defendant's case that the subject pile driver was working in good condition before and after the accident and the accident was due to careless mistake and human error by the operator. Our Directors advised that the piling machine operator at the material time was an employee of Ngai Shun.

As advised by our legal counsel as to Hong Kong laws, under section 14 of the Factories and Industries Undertakings Ordinance, if it can be proved that the offence was committed with the consent or connivance of or was attributable to any neglect on the part of any director, manager, secretary or other similar officer of the company, they shall be guilty of the like offence; however, it is very difficult to trace the case to the directors or officers of a company since other persons responsible for the technical aspects of a construction site will usually be entrusted with relevant duties, and therefore, the likelihood of the directors or officers of Ngai Shun being prosecuted is not high. Our Directors confirmed that up to the Latest Practicable Date, no similar summons has been served to any of our directors or officers of Ngai Shun. As such, our Directors are of the view that the case will not cause any material adverse impact on our Group.

3. Summonses have been issued to Ngai Shun on 6 June 2013 in relation to eight offences arising from the said incident which involved a piece of lifting appliance located in a construction site. No injury has been involved in this incident. The said offences and the maximum fine to each of the offences are summarised below:

Case no.	Charges	Underlying causes	Maximum Fine
ESS 20154/2013	Ngai Shun failed to ensure a lifting appliance, namely a crawler-mounted crane, was not used unless it had been thoroughly examined by a competent examiner at least once in the preceding 12 months, and a certificate in the approved form in which the competent examiner had made a statement to the effect that it was in safe working order had been obtained, which was in breach of Regulations 5(1) and 19 of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations	It is the defendant's case that the subject lifting appliance is a pile driver rather than a crawler-mounted crane. The relevant examination under the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations was carried out on the pile driver and a certificate in the approved form in which a statement that the pile driver was in safe working order had been obtained.	Up to a fine of HK\$200,000
ESS 20155/2013 (Alternative charge of ESS 20154/2013)	Ngai Shun failed to, upon request in writing by an occupational safety officer within 14 days as was specified in the request, to deliver to the occupational safety officer a copy of or an extract from Form 5 which was required to be kept by Ngai Shun under regulation 18C(1) of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations, which was in breach of Regulations 18C(5) and 19 of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations	It is the defendant's case that the subject lifting appliance is a pile driver rather than a crawler-mounted crane. Ngai Shun has obtained Form 5 (Certificate of Results of Thorough Examinations In The Preceding Twelve Months) which was required to be kept for the pile driver under the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations but could not produce the Form 5 for the crawler-mounted crane as the subject lifting appliance should be a pile driver.	Up to a fine of HK\$50,000.

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Case no.	Charges	Underlying causes	Maximum Fine
ESS 20156/2013	<p>Ngai Shun failed to ensure a lifting appliance, namely a crawler-mounted crane, was not used unless during the preceding 4 years it had been tested and thoroughly examined by a competent examiner in the manner prescribed in the First Schedule of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations and a certificate in the approved form in which the competent examiner had made a statement to the effect that it was in safe working order had been obtained, which was in breach of Regulations 5(3) and 19(a) of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations</p>	<p>It is the defendant's case that the subject lifting appliance is a pile driver rather than a crawler-mounted crane. The relevant examination under the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations was carried out on the pile driver and a certificate in the approved form in which a statement that the pile driver was in safe working order had been obtained.</p>	<p>Up to a fine of HK\$200,000.</p>
ESS 20157/2013 (Alternative charge of ESS 20156/2013)	<p>Ngai Shun failed to, upon request in writing by an occupational safety officer within 14 days as was specified in the request, to deliver to the occupational safety officer a copy of or an extract from Form 3 which was required to be kept by Ngai Shun under regulation 18C(1) of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations, which was in breach of Regulations 18C(5) and 19 of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations</p>	<p>It is the defendant's case that the subject lifting appliance is a pile driver rather than a crawler-mounted crane. Ngai Shun has obtained Form 4 (Certificate of Test and Thorough Examination of Lifting Appliances (Except Cranes, Crabs and Winches)) which was required to be kept for the pile driver under the Regulations but could not produce the Form 3 for the crawler-mounted crane as the subject lifting appliance should be a pile driver.</p>	<p>Up to a fine of HK\$50,000.</p>
ESS 20158/2013	<p>Ngai Shun failed to ensure a lifting appliance, namely a crawler-mounted crane, was not used unless it had been inspected within the preceding 7 days by a competent person and the competent person had given Ngai Shun a certificate in the approved form in which he had made a statement to the effect that the lifting appliance was in safe working order, which was in breach of Regulations 7A and 19 of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations</p>	<p>It is the defendant's case that the main contractor gave the wrong Form 1 (Reports of Results of Weekly Inspections of Hoists) to Ngai Shun for filing. Upon discovery of the wrong filing, Ngai Shun in due course filed the correct Form 1 (Reports of Results of Weekly Inspections of Lifting Appliances).</p>	<p>Up to a fine of HK\$200,000.</p>
ESS 20159/2013 (Alternative charge of ESS 20158/2013)	<p>Ngai Shun failed to, upon request in writing by an occupational safety officer within 14 days as was specified in the request, to deliver to the occupational safety officer a copy of or an extract from Form 1 which was required to be kept by Ngai Shun under regulation 18C(1) of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations, which was in breach of Regulations 18C(5) and 19 of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations</p>	<p>It is the defendant's case that the main contractor gave the wrong Form 1 (Reports of Results of Weekly Inspections of Hoists) to Ngai Shun for filing. Upon discovery of the wrong filing, Ngai Shun in due course filed the correct Form 1 (Reports of Results of Weekly Inspections of Lifting Appliances).</p>	<p>Up to a fine of HK\$50,000.</p>

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Case no.	Charges	Underlying causes	Maximum Fine
ESS 20160/2013	Ngai Shun failed to ensure a lifting appliance, namely a crawler-mounted crane, was not used unless it was fitted with an automatic safe load indicator that functioned properly, which was in breach of Regulations 7B(1) and 19 of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations	It is the defendant's case that the subject lifting appliance is a pile driver rather than a crawler-mounted crane. The relevant examination under the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations was carried out on the pile driver.	Up to a fine of HK\$200,000.
ESS 20161/2013	Ngai Shun failed to ensure a lifting appliance, namely a crawler-mounted crane, was not used if it was loaded beyond the maximum safe working load, which was in breach of Regulations 12 and 19 of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations	It is the defendant's case that at the relevant time, the subject lifting appliance was just losing its balance and was not loaded beyond the maximum safe working load.	Up to a fine of HK\$200,000.

4. Although our Directors are of the view that the cases will not cause any material adverse impact on our Group, full provision for the maximum potential fine in the sum of HK\$200,000 for item no. 2 and HK\$1,000,000 for item no. 3 above has been made in our accounts for the financial year ending 31 March 2014 as we have taken a conservative and prudent approach in preparation of our accounts.

### (II) Material claims and litigations against our Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date

No.	Nature of the incident	Date of the incident	Name(s) of Plaintiff(s)/ Applicant(s)/ Claimant(s)	Name(s) of the Defendant(s)/ Respondent(s)	Underlying causes/Details and severity of the incidents/injuries	Amount settled (for civil claims)/ fines paid (for criminal litigation)	Insurance coverage	Status
1.	Wage claims (Claim no. LBTC189/2012)	The claim was filed by the claimant to the Labour Tribunal on 17 January 2012	Lam Man Chiu, an employee of Ngai Shun	Ngai Shun	Claimed for outstanding end of year payment and overtime payment for the period from 3 February 2011 to 23 November 2011 and reimbursement of expenses.	HK\$10,000	Not applicable	Ngai Shun has settled the claim with the claimant on 10 February 2012
2.	Employees' compensation claims (Action no. DCEC2207/2012)	15 January 2011	Yeung Chun Sang, an employee of Ngai Shun	Ngai Shun	It is alleged that when the injured employee was in the course of his employment at the work site at Ho Sheung Heung, Sheung Shui, he was hit by a steel plate which was being lifted and transported by a crawler crane, and he lost balance and fell from a height of about 1/2 metre onto the ground on out-stretched left hand and resulted in left wrist injury.	HK\$643,993	Fully covered by the insurance taken out by Ngai Shun (Note 1)	The claim under Employees' Compensation Ordinance was settled. For the person injury claims under common law for this incident, please refer to item no. (I)1 in the table headed "Outstanding claims and litigations against our Group as at the Latest Practicable Date" above



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No.	Nature of the incident	Date of the incident	Name(s) of Plaintiff(s)/ Applicant(s)/ Claimant(s)	Name(s) of the Defendant(s)/ Respondent(s)	Underlying causes/Details and severity of the incidents/injuries	Amount settled (for civil claims)/ fines paid (for criminal litigation)	Insurance coverage	Status
3.	Employees' Compensation claim (Action no. DCEC606/2011)	30 November 2010	Yeung On Tai, an employee of Ngai Shun	Ngai Shun and the main contractor	It is alleged that when the injured employee was in the course of his employment in the construction site to do the drilling work, he was required to replace the bottom part of the drill. While the hammer was attacking the driller, it burst and some metal pieces hit the injured employee's left eye.	Not applicable	Fully covered by insurance taken out by the main contractor	The claim was discontinued by the applicant
4.	Criminal charges (Case no. ESS30268/2012 and ESS30270/2012) (Note 2)	22 February 2012	Government of the HKSAR	Ngai Shun	It was found that a steel wire rope was used in a mobile crane for lifting an I-beam but no effective Form 6 (Certificate of Test and Thorough Examination of Chains, Ropes and Lifting Gear) and Form 7 (Chains, Ropes and Lifting Gear — Certificate of Results of Thorough Examination in the Preceding Six Months) for the said steel wire rope could be produced at the site.	HK\$7,000 in aggregate	Not applicable	Convicted

*Notes:*

- As the accident occurred at our then warehouse, this case is covered by the insurance maintained by Ngai Shun.
- Two charges had been laid against Ngai Shun for the said incident, details of which are summarised below:

Case no.	Charges	Fines
ESS30268/2012	Ngai Shun failed to ensure that no chain/rope/lifting gear should be used unless it has been tested and thoroughly examined by a competent examiner in the manner prescribed in the First Schedule of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations, and a certificate in the approved form in which the competent examiner has made a statement to the effect that it is in safe working order has been obtained, which is in contravention of Regulation 18(1)(d) and Regulation 19 of Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations	HK\$3,500
ESS30270/2012	Ngai Shun failed to ensure the thorough examination of each chain/rope and lifting gear by a competent examiner in the preceding 6 months before it is used and a certificate in the approved form in which the competent examiner has made a statement to the effect that it is in safe working order has been obtained, which is in contravention of Regulation 18(1)(e) and Regulation 19 of Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations	HK\$3,500

3. Our Directors are of the view that the above employees' compensation claims and personal injuries claims were mainly arose from accidents caused by the employees' lack of safety and health awareness.

**(III) Pending or threatened claims and litigations against our Group as at the Latest Practicable Date**

*1. Employees' compensation claims and personal injuries claims*

As confirmed by our Directors, as at the Latest Practicable Date, there are currently a total of 9 potential claims involving injuries of the employees of our Group or our sub-subcontractor(s), and these injuries were caused by accidents at work mainly due to lack of safety and health awareness among the employees of our Group or the subcontractor's employees which have occurred during the three years from the date of the relevant accidents to the Latest Practicable Date and have been reported to our Group. As advised by our Directors, as at the Latest Practicable Date, the injured persons in the said potential claims have yet to reach any settlement with the insurers or take any court action against the insurers and/or Ngai Shun.

No claims for employee's compensation or personal injuries claims under common law or otherwise in relation to the above accidents have been made against our Group during the Track Record Period and up to the Latest Practicable Date, which cases are within the limitation period of 3 years from the date of the relevant incidents. As such injured persons have not yet filed claims with particulars and the claims, when filed will be handled by solicitors appointed by the insurers, we are not in a position to assess the likely quantum of such potential claims. In any event, our Group has insurance cover maintained by foundation contractors or by our Group for its liabilities of all these accidents in respect of claims for employee's compensation or personal injuries claims and as at the Latest Practicable Date, notices of the accidents have been given to the insurers.

Save as disclosed above, no member of our Group was engaged in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

Given that the claims and potential claims for employees' compensation or personal injuries claims against our Group are covered by insurance, our Directors are of the view that the claims as disclosed above have no material adverse impact on the operation or financial position or business of our Group. Details of the additional safety measures adopted by our Group to reduce the frequency of accidents are set out in the paragraph headed "Business — Safety and Insurance — Safety" above.

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### NON-COMPLIANCE

From the date of incorporation of Ngai Shun to 31 March 2013, we had inadvertently failed to comply with certain regulatory requirements under the laws of Hong Kong, which are summarised in the table below:

Non-compliance events	Reason(s) for non-compliance	Legal consequence(s)	Remedial actions taken and/or to be taken
Late filing of annual returns for the years 1998, 1999, 2005, 2006 and 2008 within 42 days after the anniversary date of incorporation (9 July)	Due to unintended and inadvertent omission of the then officer who was responsible for company secretarial and corporate administrative matters	As advised by our legal counsel as to Hong Kong laws, since no action had been taken by the prosecution within the time limit of three years imposed by section 351A of the Companies Ordinances, no liability can be established in court.	Filings were made on 29 January 1999, 16 March 2000, 13 September 2005, 16 October 2006 and 15 December 2008 respectively
Late filing of notice of appointment of first secretary and directors which took effect from 15 February 1998	Due to unintended and inadvertent omission of the then officer who was responsible for company secretarial and corporate administrative matters	As advised by our legal counsel as to Hong Kong laws, since no action had been taken by the prosecution within the time limit of three years imposed by section 351A of the Companies Ordinances, no liability can be established in court.	Filings was made on 2 March 1998
Late filing in relation to the increase in nominal share capital with effect from 13 February 2008	During the material time, we did not have an internal company secretary department or a qualified company secretary to handle the secretarial matters. We solely relied on an external company secretarial firm to handle secretarial matters and relevant statutory filings.	As advised by our legal counsel as to Hong Kong laws, since no action had been taken by the prosecution within the time limit of three years imposed by section 351A of the Companies Ordinances, no liability can be established in court.	Filings was made on 3 March 2008

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Non-compliance events	Reason(s) for non-compliance	Legal consequence(s)	Remedial actions taken and/or to be taken
<p>Late filing in relation to cessation and appointment of directors with effect from 28 April 2010 and 1 June 2010 respectively</p>	<p>During the material time, we did not have an internal company secretary department or a qualified company secretary to handle the secretarial matters. We solely relied on an external company secretarial firm to handle secretarial matters and relevant statutory filings.</p>	<p>In case of a successful prosecution for the default, the maximum fine for each offence is HK\$10,000 and the maximum daily default fine is HK\$300. Therefore, the maximum potential penalty for the late filings would be HK\$88,400.</p>	<p>Filings were made on 24 September 2010</p>
<p>Late filing in relation to change of address of the company secretary with effect from 10 July 2010</p>	<p>During the material time, we did not have an internal company secretary department or a qualified company secretary to handle the secretarial matters. We solely relied on an external company secretarial firm to handle secretarial matters and relevant statutory filings.</p>	<p>In case of a successful prosecution for the default, the maximum fine for each offence is HK\$10,000 and the maximum daily default fine is HK\$300. Therefore, the maximum penalty for the late filing would be HK\$31,900.</p>	<p>Filings was made on 5 October 2010</p>

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<b>Non-compliance events</b>	<b>Reason(s) for non-compliance</b>	<b>Legal consequence(s)</b>	<b>Remedial actions taken and/or to be taken</b>
<p>Late filing in relation to the change of location of registers of members, directors and secretaries and minute book with effect from 10 July 2010</p>	<p>During the material time, we did not have an internal company secretary department or a qualified company secretary to handle the secretarial matters. We solely relied on an external company secretarial firm to handle secretarial matters and relevant statutory filings.</p>	<p>In case of a successful prosecution for the default, the maximum fine for one offence is HK\$25,000 and HK\$50,000 for the other two offences and the maximum daily default fine is HK\$700. Therefore, the maximum penalty for the late filings of the change of location of the three registers would be HK\$278,300.</p>	<p>Filings was made on 5 October 2010</p>

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Non-compliance events	Reason(s) for non-compliance	Legal consequence(s)	Remedial actions taken and/or to be taken
<p>(i) Failure to lay the audited accounts at its first annual general meetings in 1998 and (ii) failure to lay audited accounts made up to a date falling not more than nine months under section 122 of the Companies Ordinance at its second annual meeting in 1999</p>	<p>During the material time, we did not have an internal company secretary department or an qualified company secretary to handle the secretarial matters. We solely relied on the external accounting firms and company secretarial firm to handle detailed accounting and secretarial matters.</p>	<p>As advised by our legal counsel as to Hong Kong laws, the application under section 122(1B) of the Companies Ordinance cannot possibly be made by the directors. Firstly, it is now impossible for the auditors to prepare the profit and loss account with balance sheet covering the period from incorporation to the financial year ended 31 March 1998 since all the relevant papers, which exceeded 7 years already, are no longer kept by the Company; and secondly, one of the relevant shareholders Mr. Wong Yuet Sang passed away on 28 April 2010. Our legal counsel as to Hong Kong laws further advises that Ngai Shun has no liability under section 122 of the Companies Ordinance because no action had been brought against Ngai Shun for the default within the time limit of three years after commission of the offence and therefore the prosecution is barred under section 351A of the Companies Ordinance.</p>	<p>Not applicable</p>

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Non-compliance events	Reason(s) for non-compliance	Legal consequence(s)	Remedial actions taken and/or to be taken
<p>Failure to submit information regarding the commencement and termination of employment contracts of employees to the Hong Kong Inland Revenue Department, as required under Sections 52(4) and 52(5) of the Inland Revenue Ordinance, respectively.</p>	<p>Due to unintentional and inadvertent omission by the then officer who was responsible for corporate administrative matters</p>	<p>In case of a successful prosecution for such omission, each of the defaults attracts a maximum fine of HK\$10,000. As advised by our legal counsel as to Hong Kong laws, the chance of prosecution is not high since the Inland Revenue Department was aware of the employment affairs of Ngai Shun from the employer's return of remuneration and pensions and the list of employees still under employment as at 31 March filed by Ngai Shun to the Inland Revenue Department every year and no action had been taken against Ngai Shun for the defaults since its incorporation.</p>	<p>Not applicable</p>

As confirmed by our Directors, no prosecution regarding such non-compliance events has ever been made by the Companies Registry and the Inland Revenue Department against Ngai Shun since its incorporation and up to the Latest Practicable Date and our Directors consider that the risk of any prosecution for such non-compliance events is remote. Further, our Controlling Shareholders has entered into a deed of indemnity in favour of our Group whereby the Controlling Shareholders agree to indemnify our Group, subject to the terms and conditions of the deed of indemnity, in respect of any liabilities which may arise as a result of any litigation, arbitration, legal proceedings and/or non-compliance of our Group on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed "Tax indemnity" in appendix IV to this prospectus. Our Directors consider that the non-compliance events disclosed above will not have any material adverse impact on the operation or financial position or business of our Group.

**Actions to ensure future compliance**

To prevent the occurrence of any non-compliance in the future, our Group, as recommended by our internal control consultant, CT Partners Consultants Limited, has adopted and implemented the following corporate governance and internal control measures to enhance the internal control systems and to ensure compliance of various applicable rules and regulations (including but not limited to the Companies Ordinance, the Inland Revenue Ordinance and the Listing Rules):

1. Prior to the Listing Date, our Directors attended the training sessions conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.
2. Our financial controller and company secretary, Mr. Ho Cheuk Wai (an associate of the Chartered Association of Certified Accountants), is responsible for the day-to-day compliance matters of our Group.
3. Our company secretary will be responsible for keeping the filing register up to date on a monthly basis to ensure ongoing compliance. The company secretary will report to the Audit Committee in the future in the event of any non-compliance with the Companies Ordinance and Inland Revenue Ordinance.
4. We have established a comprehensive compliance manual which shall be observed by the Directors and employees of the Group. Each department shall be responsible for making all relevant staff aware of the compliance manual and for ensuring that they comply with its principles.
5. We will consider continuing engaging an independent external consultant after Listing to review the adequacy and effectiveness of our internal control system, including areas of financial, operational, compliance and risk management.
6. We have established the Audit Committee which comprises three independent non-executive Directors, namely Mr. Tam Tak Kei, Raymond, Mr. Pai Hao and Mr. Chiu Sai Chuen Nicholas. The Audit Committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matters of the Group, and ensuring compliances with the relevant laws and regulations.

Our Directors believe that the above measures could effectively ensure a proper internal control system and maintain good corporate governance practices to prevent future non-compliance with the relevant laws and regulations by our Group.



**VIEWS OF OUR DIRECTORS REGARDING THE CORPORATE GOVERNANCE AND WORK SAFETY MEASURES OF OUR GROUP**

As set out in the sections headed “Business — Safety and insurance — Safety” and “Business — Non-compliance — Actions to ensure future compliance” in this prospectus, our Group has adopted and implemented (i) the additional safety measures to reduce the frequency of accidents at construction sites; and (ii) the corporate governance and internal control measures to enhance the internal control systems and to ensure compliance of various applicable rules and regulations to prevent the occurrence of any non-compliance in the future. Our Directors believe that the corporate governance and internal control measures could effectively ensure a proper internal control system and maintain good corporate governance practices of our Group, and the additional work safety measures are adequate and effective.

In addition, having considered the following:

- (i) under the leadership of our executive Directors who have sufficient knowledge and foundation industry experience, our Group achieved significant business growth. Our Group’s revenue and net profit increased at a CAGR of approximately 31.8% and 281.7% respectively over the Track Record Period;
- (ii) the non-compliance matters disclosed in this prospectus are not involving fraud or deceit by our Directors or matters with significant financial impacts on our Group;
- (iii) our Group has not experienced any refusal of renewal of the licences necessary for its daily operations or any non-compliance with relevant laws and regulations of Hong Kong which caused material disruption to its operations during the Track Record Period;
- (iv) our Group requires strict implementation of the safety plan which sets out work safety measures to prevent common accidents which could happen at construction sites. However, due to the nature of works in the construction industry and the risks of accidents or injuries to workers are inherent, the occurrence of accidents or fatal injuries to workers at construction sites cannot be completely eliminated;
- (v) none of the work-related accidents has incurred serious injuries or is serious in nature and our Group recorded no fatal injuries at construction sites during the Track Record Period and up to the Latest Practicable Date;
- (vi) our Group has filed and reported to relevant authorities all work-related accidents and injuries which have been reported to them. Our Directors also consider that such work-related accidents and injuries have no material impact on our Group’s retention of specialist contractor licence going forward; and
- (vii) our Group’s accident rate decreased from 77.3 to 52.8 per 1,000 workers over the period from 2010 to 2012 and further decreased to 14.4 per 1,000 workers for the period from January to June in 2013, which is much lower than the accident rate of 30.0 per 1,000 workers for the corresponding period in 2012,

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our Directors are of the view, and the Sponsor concurs with their view, that the past non-compliance incidents, claims and litigations and accidents at construction sites do not involve any dishonesty on the part of our Directors or cast any doubt on their integrity or competence and do not affect their suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

### DIRECTORS

The Board currently consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Our Company has entered into service contracts with each of the Directors. The following table sets forth information regarding our Directors:

Name	Age	Position/Title	Responsibilities of the Group	Date of appointment as Director
Mr. SC Wong	49	Executive Director (Chairman)	Formulation of overall management, overseeing marketing and engineering work, authorized signatory under the contractor licensing regime, and the chairman of Nomination Committee	3 April 2013
Mr. Lam Wing Sum	55	Executive Director (Chief Executive Officer & Vice Chairman)	Formulation of development strategies, overseeing the daily operation and business development, and the member of Remuneration Committee	22 September 2013
Mr. Tao Chi Keung	43	Executive Director	Human resources and machinery management	22 September 2013
Mr. SY Wong	51	Non-executive Director	Advising on internal control and financial management	22 September 2013
Mr. Tam Tak Kei, Raymond	50	INED	The chairman of Audit Committee and the member of Nomination Committee	22 September 2013
Mr. Pai Hao	52	INED	The chairman of Remuneration Committee and the member of Audit Committee	22 September 2013
Mr. Chiu Sai Chuen Nicholas	69	INED	The member of Audit Committee, Remuneration Committee and Nomination Committee	22 September 2013

### Executive Directors

**Mr. SC Wong**, aged 49, is our executive Director, chairman of our Board and the Controlling Shareholder. He is the brother of Mr. SY Wong. Mr. SC Wong is responsible for overall management and overseeing marketing and engineering work of our Group. He was appointed as Director on 3 April 2013 and redesignated as our executive Director and appointed as the chairman of the Board on 22 September 2013. Mr. SC Wong, who joined Ngai Shun Construction and Drilling Co. in 1994 and later joined our Group, has 19 years of experience in foundation works. Before joining our Group, he worked for Reinforced Earth (SEA) Pte. Ltd. as senior project engineer from 1989 to 1993 and Reinforced Earth Pacific Ltd. as assistant general manager and consultant from 1993 to 1999. Both Reinforced Earth (SEA) Pte. Ltd. and Reinforced Earth Pacific Ltd. are companies that provided civil engineering and design services. Mr. SC Wong obtained a master of science degree in civil engineering from the Hong Kong Polytechnic University in December 2006, a postgraduate diploma in civil engineering from the Hong Kong Polytechnic University in November 1998, a graduate diploma in business administration from the Singapore Institute of Management in December 1991, and a bachelor of engineering degree from the National University of Singapore in June 1988. He was elected as a member of the Institution of Engineers, Singapore in 2000. He was also admitted to a program of doctor of business administration degree at the University of Newcastle, Australia, specialising in global corporate governance, social responsibility and international business strategy. In the three years preceding the Latest Practicable Date, Mr. SC Wong has not held any directorship in any listed company.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

**Mr. Lam Wing Sum**, aged 55, is one of the founders of our Group and the Controlling Shareholder. He was appointed as our executive Director, the vice chairman of our Board and the chief executive officer of our Group on 22 September 2013. Mr. Lam established Ngai Shun Construction and Drilling Co. in 1983, a partnership, with business focused mainly in site investigation and grouting work. Mr. Lam has been involved in the construction industry for more than 35 years and he is responsible for formulation of development strategies, overseeing the daily operation and business development of our Group. In the three years preceding the Latest Practicable Date, Mr. Lam had not held any directorship in any listed company.

**Mr. Tao Chi Keung (杜志強)**, aged 43, is our executive Director. Mr. Tao is the half brother of Mr. Lam. Mr. Tao is responsible for human resources and machinery management of our Group. Mr. Tao joined Ngai Shun Construction and Drilling Co. in 1994 and was subsequently joined our Group and promoted to superintendent as at 31 March 2013. He was appointed as an executive Director on 22 September 2013. Mr. Tao has almost 19 years of experience in the Hong Kong foundation industry and has in-depth knowledge in our daily operations. In the three years preceding the Latest Practicable Date, Mr. Tao had not held any directorship in any listed company.

### Non-executive Director

**Mr. SY Wong**, aged 51, is our non-executive Director and the Controlling Shareholder. He is the brother of Mr. SC Wong. He was appointed as a non-executive Director on 22 September 2013. Mr. SY Wong is responsible for advising on internal control and financial management of our Group. Mr. SY Wong has over 25 years' experience in the electrical and mechanical engineering industry. Currently, Mr. SY Wong is the Asia pacific regional general manager of Climate and Industrial Controls Group. Prior to joining our Group, he worked for Johnson Controls Hong Kong Limited, a subsidiary of a New York listed company which manufactures, installs, and services automatic temperature regulations systems for buildings, as project engineer and project manager from 1988 to 1991, Analogue Technical Agencies Limited, a company that specialises in the design, supply, installation, operation and maintenance of building-related systems such as electrical system, fire safety system, and water distribution system, as manager from 1991 to 1996, and Emerson Climate Technologies, a subsidiary of a New York listed company which delivers engineering services and solutions in heating, ventilation, air conditioning, and refrigeration for residential, industrial, and commercial applications, as manager, sales director and director from 1996 to 2010. Mr. SY Wong obtained a bachelor of engineering degree in mechanical engineering from the University of Newcastle Upon Tyne in June 1988, a master of science degree in engineering from the University of Hong Kong in November 1993 and a master of business administration degree from the University of Macau (formerly known as University of East Asia) in October 1991. He was elected as a member in the Chartered Institution of Building Services Engineers, a member of the Institution of Mechanical Engineers and a member of the Hong Kong Institution of Engineers in 1994. He was also registered as a Chartered Mechanical Engineer of the Institution of Mechanical Engineers in 1994. In the three years preceding the Latest Practicable Date, Mr. SY Wong has not held any directorship in any listed company.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

### Independent non-executive Directors

**Mr. Tam Tak Kei, Raymond** (譚德機), aged 50, joined our Group and appointed as our independent non-executive Director on 22 September 2013. Mr. Tam graduated from University of Kent at Canterbury in the United Kingdom with a bachelor of arts degree in accounting with computing in July 1985. He was admitted as a member of The Institute of Chartered Accountants in England and Wales in 1990 and an associate member of the Hong Kong Institute of Certified Public Accountants in 1995. Mr. Tam acted as financial controller in two law firms for nine years and has over 20 years of professional accounting experience and is currently the finance director of a Hong Kong-based auction company and the company secretary of Branding China Group Limited (stock code: 8219).

Mr. Tam also acts as an independent non-executive director of Sunley Holdings Limited (stock code: 1240) since September 2012, Vision Fame International Holding Limited (stock code: 1315) since December 2011, Tianjin Jinran Public Utilities Company Limited (stock code: 1265, formerly 8290) since February 2011, Zebra Strategic Holdings Limited (stock code: 8260) since March 2013, Jin Cai Holdings Company Limited since June 2013 and Sun Innovation Holdings Limited (stock code: 547) from September 2009 to August 2013. Save as disclosed above, Mr. Tam has not served in other listed company in the past three years.

**Mr. Pai Hao** (白疇), aged 52, joined our Group and appointed as our independent non-executive Director on 22 September 2013. Mr. Pai graduated from the National University of Singapore with a bachelor of engineering degree in mechanical engineering in 1988. Mr. Pai has been the managing director of QualiSys Consultancy Services (Hong Kong) Company Limited since 1992. He has attained over 20 years of experience in the consulting field. Mr. Pai is a member of the Steering Committee of Six Sigma, China Association for Quality in 2013. In the three years preceding the Latest Practicable Date, Mr. Pai had not held any directorship in any listed company.

**Mr. Chiu Sai Chuen Nicholas**, BBS, MBE, JP (趙世存), aged 69, joined our Group and appointed as our independent non-executive Director on 22 September 2013. Mr. Chiu obtained a bachelor degree of science in engineering and the certificate in Industrial Engineering from the University of Hong Kong in November 1969 and September 1971 respectively. He was admitted as a fellow of the Hong Kong Institution of Engineers in February 1991 and a registered professional engineer of the Hong Kong Engineers Registration Board from February 1999 to January 2000. Mr. Chiu was elected as a member of the Institution of Mechanical Engineers in August 1990. Mr. Chiu then joined South Star Construction Co. Ltd. as the managing director from August 1991 till August 2001. Mr. Chiu had been a member of the Standing Commission on Civil Service Salaries and Conditions of Service from July 1989 to June 1991. He had served as the Chairman of the Pay Trend Survey Committee of the Hong Kong Government in 1994. Mr. Chiu has acted on the Board of Directors of Christian Family Service Centre in February 1988 and he is currently the Honorary Treasurer. Mr. Chiu also acts as an independent non-executive director of Vision Fame International Holding Limited (stock code: 1315) since May 2013. Save as disclosed above, Mr. Chiu has not held any other directorships in any other listed public companies in the last three years.

## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

### **FINANCIAL CONTROLLER AND COMPANY SECRETARY**

**Mr. Ho Cheuk Wai** (何焯偉), aged 52, joined our Group and appointed as our financial controller and company secretary in May 2013. Mr. Ho is responsible for overseeing accounting activities and internal control of our Group and engaging in all aspects of corporate finance functions. He graduated with a degree of master of science in business information technology from the University of Middlesex in 2003 and a degree of master of business administration from the University of Wales, Bangor in co-operation with the Manchester Business School (now known as the Bangor University) in 1997, both of which are distance learning programs. He became a member of the Hong Kong Society of Accountants in 1994 and was admitted an associate of the Chartered Association of Certified Accountants in 1995. He was also admitted as a fellow of the Association of Chartered Certified Accountants in 2000. Prior to joining our Group, he served as the financial controller and the company secretary of South West Eco Development Limited (a company listed on the GEM board of the Hong Kong Stock Exchange with stock code 8291) during the period from May 2012 to May 2013, and the financial controller in other companies in Hong Kong, namely Cetec Limited, China Water Company Limited, Chung Fu Property Group Company, Mission Hills Group, and CBI Investment Limited during the period from January 2010 to April 2012, from September 2008 to January 2010, from January 1999 to March 2008, from April 1995 to November 1998, and from July 1990 to March 1995 respectively.

### **AUDIT COMMITTEE**

An audit committee was established by our Board on 22 September 2013 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and approve our financial information and monitor our financial reporting system and internal control procedures, and to assist our Board in providing an independent view of the effectiveness of our financial reporting process. The members of the audit committee are Mr. Tam Tak Kei, Raymond, Mr. Pai Hao and Mr. Chiu Sai Chuen Nicholas. Mr. Tam Tak Kei, Raymond is the chairman of the audit committee.

### **REMUNERATION COMMITTEE**

A remuneration committee was established by our Board on 22 September 2013 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and recommend our Board to fix the terms and structure of the remuneration packages, bonuses and other compensation payable to our Directors. The members of the remuneration committee are Mr. Lam, Mr. Pai Hao and Mr. Chiu Sai Chuen Nicholas. Mr. Pai Hao is the chairman of the remuneration committee.

### **NOMINATION COMMITTEE**

We established a nomination committee on 22 September 2013 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary functions of the nomination committee are to make recommendations to the Board regarding any proposed change to the structure of the Board and candidates to fill vacancies on the Board. The nomination committee comprises Mr. SC Wong, Mr. Tam Tak Kei, Raymond and Mr. Chiu Sai Chuen Nicholas. Mr. SC Wong is the chairman of the nomination committee.

## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

### **DIRECTORS' REMUNERATION**

The aggregate amount of compensation (including any fees, salaries and other allowances and benefits in kind) paid by us to our Directors during each of the three years ended 31 March 2011, 2012 and 2013 was approximately HK\$3.3 million, HK\$4.7 million and HK\$8.9 million respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of the three years ended 31 March 2011, 2012 and 2013, by us or any of our subsidiaries to our Directors and senior management.

Going forward, our remuneration committee will review and determine the remuneration and compensation of our Directors and senior management with reference to salaries paid by comparable companies, time commitment, employment conditions and responsibilities of our Directors and senior management and performance of our Group.

### **COMPLIANCE ADVISER**

We will, before Listing, appoint Ample Capital 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 will advise us on the following matters:

- i. before 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;
- iii. where we propose 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 us under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date (i.e. the date of despatch of the annual report of our Company in respect of its results for the financial year ending 31 March 2015), subject to extension by mutual agreement.

### **CORPORATE GOVERNANCE MEASURES**

On 8 January 2013, we have appointed an independent internal control consultants, CT Partners Consultants Limited (the "Consultant"), to, among other things, perform a detailed evaluation of the compliance of the revised corporate governance code as set out in Appendix 14 (the "Code") and the relevant amended provisions in the Listing Rules. The Consultant has recommended our Company to adopt a compliance manual covering the corporate governance code and associated Listing Rules. The Consultant has performed a follow up review on 2 July 2013 and confirmed our Company has adopted a comprehensive compliance manual.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

We recognise the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. In order to comply with the requirements under the Listing Rules, in particular, the code provisions contained in the Code, we have adopted the following measures as at the Latest Practicable Date:

- (i) we have established the audit committee, remuneration committee and nomination committee on 22 September 2013 with respective written terms of reference in accordance with the code provisions contained in the Code. The paragraphs headed “Audit Committee”, “Remuneration Committee” and “Nomination Committee” in this section set out further information;
- (ii) our Board has adopted the terms of reference with regard to corporate governance and a shareholders’ communication policy in accordance with the code provisions of the Code;
- (iii) we will arrange appropriate insurance cover on our Directors’ liabilities in respect of legal actions against our Directors arising out of corporate activities before the Listing;
- (iv) we have appointed three independent non-executive Directors representing more than one-third of the Board and at least one of them has accounting expertise;
- (v) the chairman of our Board is Mr. SC Wong whereas the chief executive of our Company is Mr. Lam. The roles of the chairman and the chief executive will be separate and distinct;
- (vi) our Directors will operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested;
- (vii) pursuant to the Code, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost;
- (viii) our Company has adopted a comprehensive compliance manual covering legal and regulatory compliance with reference to the Code;
- (ix) our Company will consider engaging an independent internal control consultant to perform regular review on corporate governance to ensure on-going compliance after Listing; and
- (x) our Directors will attend professional development seminar including but not limit to the corporate governance to ensure on-going compliance after Listing.



## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

Our Company is expected to comply with the Code which sets out the principles of good corporate governance in relation to, among others, our Directors, chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Board will review our Company's policies and practices on corporate governance from time to time. Our Company will state in our interim and annual reports whether we have complied with the Code, and will provide details of, and reasons for, any deviations from it in the corporate governance report which will be included in our annual reports.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer, Mr. SY Wong, Mr. SC Wong, Mr. Lam, Prime Colour and Splendid Core will through Fabulous Business control more than 30% of our issued share capital, irrespective of whether the Offer Size Adjustment Option is exercised partially or fully, or at all. For the purpose of the Listing Rules, Mr. SY Wong, Mr. SC Wong, Mr. Lam, Prime Colour, Splendid Core and Fabulous Business are our Controlling Shareholders. Each of our Controlling Shareholders and Mr. SL Wong confirms that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES

In the opinion of our Directors, our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, our Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

- (i) *Financial independence:* Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. During the Track Record Period, our Group relies principally on cash generated from operations to carry on its business and this is expected to continue after the Listing.

As at Latest Practicable Date, the trade related and non-trade related amounts due to or from our Controlling Shareholders, or companies controlled by him/it had been fully settled and our Group has obtained consent from the banks to release all guarantees provided to us by our Controlling Shareholders and their associates which will be replaced by the corporate guarantee provided by our Company upon Listing.

- (ii) *Operational independence:* We have established our own organisational structure comprised individual departments, each with specific areas of responsibilities. Our Group has not shared its operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their associates. No services, premises and facilities will be provided by our Controlling Shareholders and/or their associates to our Group. As we have independent contractors capable of carrying out site formation and ground investigation field works, our Group is able to operate independently from our Controlling Shareholders after the Listing.
- (iii) *Independence of management:* Our Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. Mr. SC Wong, Mr. Lam and Mr. Tao Chi Keung are executive Directors. Mr. SY Wong is non-executive Director. Mr. SC Wong and Mr. SY Wong are also directors of Prime Colour. Mr. Lam is also director of Splendid Core. Mr. SC Wong, Mr. SY Wong and Mr. Lam are also directors of Fabulous Business. Prime Colour, Splendid Core and Fabulous Business are Controlling Shareholders of our Company and the investment vehicle of Mr. SC Wong, Mr. SL Wong, Mr. SY Wong

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

and Mr. Lam in holding the Shares. Save as disclosed above, none of our Directors or senior management serves any executive or management role in our Controlling Shareholders or any of their respective associates.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In particular, Mr. SC Wong, Mr. SY Wong, Mr. Tao Chi Keung and Mr. Lam will not attend any board meetings of our Company in respect of those matters or transactions relating to Fabulous Business or which may otherwise give rise to potential conflicts of interest and would not be counted as quorum in the relevant meetings. Furthermore, Mr. SC Wong, Mr. SY Wong, Mr. Tao Chi Keung and Mr. Lam and their respective associates will not attend, or be counted as quorum of, any meeting of our Shareholders for consideration and approval of matters which may give rise to potential conflicts of interest so far as required by the Listing Rules or other applicable laws and regulations. In addition, our Group has an independent senior management team, none of whom has any managerial role or beneficial interest in our Controlling Shareholders or any of their respective associates, to carry out the business decisions of our Group independently.

Three of the members of our Board are independent non-executive Directors who are either well-educated, having extensive experience in different areas or professionals and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions.

Furthermore, our Board's main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorized by our Board.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Group is capable of managing its business independently from our Controlling Shareholders and their respective associates after the Listing. In addition, the business of our Group has been operated under substantially the same management throughout the Track Record Period and up to the Latest Practicable Date.

- (iv) *Independence of major suppliers:* Our Directors confirm that none of our Controlling Shareholders, nor our Directors and their respective associates, have any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (v) *Independence of major customers*: our Directors confirm that none of our Controlling Shareholders, nor our Directors and their respective associates, have any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

### **RULE 8.10 OF THE LISTING RULES**

Our Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure under Rule 8.10 of the Listing Rules.

### **NON-COMPETITION UNDERTAKING**

In order to avoid any possible future competition between our Group and each of Mr. SC Wong, Mr. SL Wong, Mr. SY Wong, Mr. Lam, Prime Colour, Splendid Core and Fabulous Business (the "Covenantors"), the Covenantors have executed a deed of non-competition on 22 September 2013 in favour of us (for ourselves and for the benefit of each member of our Group) (the "Deed of Non-competition"). Pursuant to the Deed of Non-competition, during the period that the Deed of Non-competition remains effective, each of the Covenantors irrevocably and unconditionally undertakes with us (for ourselves and for the benefit of each member of our Group) that he/she/it shall not, and shall procure his/her/its associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Where business opportunities which may compete with the business of our Group arise, the respective Covenantor(s) shall, and shall procure their respective associates to, give us notice in writing and we shall have a right of first refusal to take up such business opportunities. We shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interests or potential conflict of interests including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Our Board will establish a committee comprising all the independent non-executive Directors which will be delegated with the authority to review on an annual basis the above undertakings from the Covenantors. The Covenantors also undertake to provide all information necessary for the enforcement of the Deed of Non-competition as requested by the committee from time to time.

The undertakings mentioned above are conditional upon the fulfilment of the conditions stated in the paragraph headed "Conditions of the Share Offer" under the section headed "Structure and Condition of the Share Offer" in this prospectus. If any of such conditions is not fulfilled on or before the date falling 30 days after the date of this prospectus, the Deed of Non-competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS**

The Deed of Non-competition shall terminate on the earliest of the date on which (i) the Covenantors shall cease to hold in aggregate 30 per cent. or more of the entire issued share capital of our Company or otherwise cease to be a controlling Shareholder; or (ii) the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange due to any reason).

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of the Shares which may be taken up under the Share Offer or any exercise of the Offer Size Adjustment Option), 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, or, who will, 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:

### Long position in our Shares

Name	Nature of Interest	No. of Shares held	Approximate percentage of shareholding
Fabulous Business	Beneficial owner <i>(Note 1)</i>	300,000,000	75%
Prime Colour	Interest in controlled corporation <i>(Note 2)</i>	300,000,000	75%
Splendid Core	Interest in controlled corporation <i>(Note 3)</i>	300,000,000	75%
Mr. SC Wong	Interest in controlled corporation <i>(Note 4)</i>	300,000,000	75%
Ms. Wong Lai Ling	Interest of spouse <i>(Note 4)</i>	300,000,000	75%
Mr. Lam	Interest in controlled corporation <i>(Note 5)</i>	300,000,000	75%
Mrs. Lam	Interest of spouse <i>(Note 5)</i>	300,000,000	75%
Mr. SY Wong	Interest in controlled corporation <i>(Note 6)</i>	300,000,000	75%
Ms. Wong Mei Yi Patricia	Interest of spouse <i>(Note 6)</i>	300,000,000	75%

*Notes:*

- (1) Fabulous Business is a company incorporated in the BVI and is owned by Prime Colour as to 50% and owned by Splendid Core as to the remaining 50%.
- (2) Prime Colour is a company incorporated in the BVI and owns 50% shareholding in Fabulous Business, which in turn owns 75% shareholding in the Company. Therefore, Prime Colour is deemed or taken to be interested in all the Shares which are beneficially owned by Fabulous Business for the purpose of SFO. Mr. SC Wong and Mr. SY Wong are directors of Prime Colour.

## SUBSTANTIAL SHAREHOLDERS

- (3) Splendid Core is a company incorporated in the BVI and owns 50% shareholding in Fabulous Business, which in turn owns 75% shareholding in our Company. Therefore, Splendid Core is deemed or taken to be interested in all the Shares which are beneficially owned by Fabulous Business for the purpose of SFO. Mr. Lam is the sole director of Splendid Core.
- (4) Mr. SC Wong owns 100% of the issued share capital of Prime Colour, of which 40% of the shares is beneficially held by Mr. SC Wong, and 20% and 40% of the shares are held by Mr. SC Wong on trust for Mr. SL Wong and Mr. SY Wong, respectively, and Prime Colour in turn owns 50% shareholding in Fabulous Business, the beneficial owner holding 75% shareholding in the Company. Therefore, Mr. SC Wong is deemed or taken to be interested in all the Shares which are beneficially owned by Fabulous Business for the purpose of SFO. Ms. Wong Lai Ling is the spouse of Mr. SC Wong. Therefore, Ms. Wong Lai Ling is deemed or taken to be interested in all the Shares which are interested by Mr. SC Wong for the purpose of the SFO.
- (5) Mr. Lam owns 100% of the issued share capital of Splendid Core, and Splendid Core in turn owns 50% shareholding in Fabulous Business, the beneficial owner holding 75% shareholding in the Company. Therefore, Mr. Lam is deemed or taken to be interested in all the Shares which are beneficially owned by Fabulous Business for the purpose of SFO. Mrs. Lam is the spouse of Mr. Lam. Therefore, Mrs. Lam is deemed or taken to be interested in all the Shares which are interested by Mr. Lam for the purpose of the SFO.
- (6) Mr. SY Wong owns 40% of the issued share capital of Prime Colour, which is held on trust by Mr. SC Wong for Mr. SY Wong, and Prime Colour in turn owns 50% shareholding in Fabulous Business, the beneficial owner holding 75% shareholding in the Company. Therefore, Mr. SY Wong is deemed or taken to be interested in all the Shares which are beneficially owned by Fabulous Business for the purpose of SFO. Ms. Wong Mei Yi Patricia is the spouse of Mr. SY Wong. Therefore, Ms. Wong Mei Yi Patricia is deemed or taken to be interested in all the Shares which are interested by Mr. SY Wong for the purpose of the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Share Offer and the Capitalisation Issue, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, who will, 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 and are therefore regarded as substantial shareholders under the Listing Rules.

## SHARE CAPITAL

Assuming the Offer Size Adjustment Option is not exercised at all, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, our issued share capital immediately following the Share Offer will be as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
1,000,000,000 Shares	10,000,000

*Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer:*

	<i>HK\$</i>
10,000 Share in issue at the date of this prospectus	100
299,990,000 Shares to be issued pursuant to the Capitalisation Issue	2,999,900
<u>100,000,000</u> Shares to be issued pursuant to the Share Offer	<u>1,000,000</u>

*Total:*

<u>400,000,000</u> Shares	<u>4,000,000</u>
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Assuming the Offer Size Adjustment Option is exercised at all, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, our issued share capital immediately following the Share Offer will be as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
1,000,000,000 Shares	10,000,000

*Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer:*

	<i>HK\$</i>
10,000 Share 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	1,000,000
15,000,000 Shares to be issued upon exercise of the Offer Size	150,000
<u>Adjustment Option in full</u>	<u>                    </u>

*Total:*

<u>415,000,000</u> Shares	<u>4,150,000</u>
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## SHARE CAPITAL

### RANKING

The Offer Shares will rank *pari passu* in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

### CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 22 September 2013, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares pursuant to the Share Offer, our Directors are authorised to allot and issue a total of 299,990,000 Shares credited as fully paid at par to the holder(s) of Shares on the register of members of our Company at the close of business on 19 September 2013 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$2,999,900 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

### GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in section headed “Structure and Conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue; and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the Offer Size Adjustment Option or the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws or the Articles of Association; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders at general meeting, whichever is the earliest.

## SHARE CAPITAL

Further details of this general mandate are set out to the section headed “Further Information about our Company — Written resolutions of our sole Shareholder passed on 22 September 2013” in Appendix IV to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Conditional on conditions as stated in section headed “Structure and Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued under the Offer Size Adjustment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Further Information about our Company — Repurchases of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

- (i) the conclusion of our Company’s next annual general meeting;
- (ii) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws or the Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at general meeting, whichever is the earliest.

Further details of this general mandate are set out in the section headed “Further Information about our Company — Written resolutions of our sole Shareholder passed on 22 September 2013” in Appendix IV to this prospectus.

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed “Share Option Scheme” as set out in Appendix IV to this prospectus.

Our Group does not have any outstanding share options, warrants, convertible instruments, pre-IPO share options or similar rights convertible into the Shares as at the Latest Practicable Date.

## FINANCIAL INFORMATION

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

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

### OVERVIEW

We are principally engaged in the foundation business in Hong Kong as a foundation subcontractor. We had completed 51 foundation projects during the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, we have 14 foundation projects in progress and 5 foundation projects which are yet to commence, with a total subcontract sum of approximately HK\$742.4 million. Our projects in progress are expected to be completed during the period from September 2013 to September 2014. Further details of our foundation projects are set out in the section headed "Business — Construction works — Foundation projects" in this prospectus. According to the Ipsos Report, the revenue of our Group for the financial year ended 31 March 2013 represented around 1.8% of the total revenue generated from the whole foundation industry in Hong Kong in 2012. Our business is generally undertaken by our operating subsidiary, Ngai Shun, as a socketed H-piling specialist in various foundation projects.

The foundation works undertaken by us mainly include socketed H-piling, mini-piling and other relevant construction works such as soldier piles and king posts. We undertake foundation projects in both the public sector, including building and infrastructure related projects, and the private sector, which are mostly building related projects. Income from foundation works represented all of our revenues, which were derived in Hong Kong, for each of the three years ended 31 March 2011, 2012 and 2013 respectively. At times, we engage sub-subcontractors to perform a portion of the work under our contracts.

According to the Hong Kong Annual Digest of Statistics 2012 and the Hong Kong government's budgets 2013/2014, it is estimated that the Hong Kong's public expenditure on infrastructure will grow from approximately HK\$29.5 billion in 2008 to approximately HK\$76.1 billion in year 2013–14. In view of (i) the increasing public expenditure on infrastructure and our registration status with the Development Bureau and Buildings Department; and (ii) the current growth prospects for private development projects, our Directors expect there will be more opportunities for our foundation business in both public and private sectors and our revenue will grow steadily in future. Our revenues for the three years ended 31 March 2011, 2012 and 2013 were approximately HK\$205.0 million, HK\$249.6 million and HK\$356.1 million respectively, representing a CAGR of approximately 31.8%.

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During the Track Record Period, our five largest customers accounted for approximately 71.6%, 96.6% and 94.5% of our revenue, respectively; and our largest customer accounted for approximately 21.9%, 61.0% and 50.4% of our revenue, respectively.

### SUMMARY OF HISTORICAL COMBINED FINANCIAL INFORMATION

The selected financial information from our combined statements of financial position as at 31 March 2011, 2012 and 2013 and our combined statements of comprehensive income and combined statements of cash flows for the three years ended 31 March 2011, 2012 and 2013 set forth below are extracted from our Accountants' Report included in Appendix I to this prospectus, and should be read in conjunction with the Accountants' Report set forth in Appendix I to this prospectus.

#### Combined statements of comprehensive income

	<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	204,988	249,586	356,100
Cost of sales	<u>(183,827)</u>	<u>(193,175)</u>	<u>(248,827)</u>
Gross profit	21,161	56,411	107,273
Other income and net gains	101	388	323
Administrative and other operating expenses	<u>(15,685)</u>	<u>(18,335)</u>	<u>(31,777)</u>
Operating profit	5,577	38,464	75,819
Finance costs	<u>(352)</u>	<u>(643)</u>	<u>(437)</u>
Profit before income tax	5,225	37,821	75,382
Income tax expense	<u>(941)</u>	<u>(6,241)</u>	<u>(12,963)</u>
Profit and total comprehensive income for the year attributable to owners of the Company	<u>4,284</u>	<u>31,580</u>	<u>62,419</u>
Basic and diluted earnings per share	<u>HK cents 1.43</u>	<u>HK cents 10.53</u>	<u>HK cents 20.81</u>
Dividend	<u>3,300</u>	<u>2,000</u>	<u>20,000</u>

## FINANCIAL INFORMATION

### Combined statements of financial position

	As at 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<u>16,781</u>	<u>20,737</u>	<u>22,728</u>
<b>Current assets</b>			
Trade and other receivables	48,508	61,395	63,745
Tax recoverable	249	—	—
Cash and cash equivalents	<u>4,400</u>	<u>22,590</u>	<u>67,210</u>
	<u>53,157</u>	<u>83,985</u>	<u>130,955</u>
<b>Total assets</b>	<u><u>69,938</u></u>	<u><u>104,722</u></u>	<u><u>153,683</u></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Combined capital	10,000	10,000	10,000
Retained earnings	<u>13,977</u>	<u>43,557</u>	<u>85,976</u>
<b>Total equity</b>	<u>23,977</u>	<u>53,557</u>	<u>95,976</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	543	1,106	1,202
Provision for long service payments	3,781	3,781	4,630
Deferred taxation	<u>756</u>	<u>1,095</u>	<u>998</u>
	<u>5,080</u>	<u>5,982</u>	<u>6,830</u>
<b>Current liabilities</b>			
Trade and other payables	30,145	26,274	28,087
Borrowings	10,736	13,508	15,619
Tax payable	<u>—</u>	<u>5,401</u>	<u>7,171</u>
	<u>40,881</u>	<u>45,183</u>	<u>50,877</u>
<b>Total liabilities</b>	<u>45,961</u>	<u>51,165</u>	<u>57,707</u>
<b>Total equity and liabilities</b>	<u><u>69,938</u></u>	<u><u>104,722</u></u>	<u><u>153,683</u></u>
<b>Net current assets</b>	<u><u>12,276</u></u>	<u><u>38,802</u></u>	<u><u>80,078</u></u>
<b>Total assets less current liabilities</b>	<u><u>29,057</u></u>	<u><u>59,539</u></u>	<u><u>102,806</u></u>

<b>FINANCIAL INFORMATION</b>
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**Combined statements of cash flows**

	<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>Cash flows from operating activities</b>			
Net cash generated from operations	6,170	31,724	88,241
Tax paid	<u>(50)</u>	<u>(252)</u>	<u>(11,290)</u>
<b>Net cash generated from operating activities</b>	<u>6,120</u>	<u>31,472</u>	<u>76,951</u>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment	71	388	270
Purchases of property, plant and equipment	(14,125)	(14,362)	(14,414)
Deposits paid for purchases of property, plant and equipment	(272)	—	(10)
Interest received	<u>—</u>	<u>—</u>	<u>53</u>
<b>Net cash used in investing activities</b>	<u>(14,326)</u>	<u>(13,974)</u>	<u>(14,101)</u>
<b>Cash flows from financing activities</b>			
Inception of finance lease	2,394	8,300	2,366
Drawdown of bank borrowings	2,000	6,000	11,290
Repayment of finance lease	(260)	(4,603)	(4,725)
Repayment of bank borrowings	(2,672)	(6,362)	(6,724)
Interest paid	(352)	(643)	(437)
Dividends paid	<u>(3,300)</u>	<u>(2,000)</u>	<u>(20,000)</u>
<b>Net cash (used in)/generated from financing activities</b>	<u>(2,190)</u>	<u>692</u>	<u>(18,230)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(10,396)	18,190	44,620
<b>Cash and cash equivalents at 1 April</b>	<u>14,796</u>	<u>4,400</u>	<u>22,590</u>
<b>Cash and cash equivalents at 31 March</b>	<u><u>4,400</u></u>	<u><u>22,590</u></u>	<u><u>67,210</u></u>

## FINANCIAL INFORMATION

### **BASIS OF PRESENTATION**

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 3 April 2013. Through a corporate reorganisation as more fully explained in the paragraph headed “Corporate reorganisation” in Appendix IV — “Statutory and General Information” to this Prospectus (the “Reorganisation”), our Company became the holding company of the companies now comprising our Group on 18 September 2013. The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the relevant periods which include the results, changes in equity and cash flows of the companies comprising our Group have been prepared as if the current group structure had been in existence throughout the relevant periods, or since their respective dates of incorporation/establishment where it is a shorter period. The combined financial statements, which are presented in Hong Kong dollars, have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Main Board Listing Rules. HKFRSs include Hong Kong Accounting Standards and interpretations.

The financial information has been prepared by our Directors based on combined financial statements or, where appropriate, unaudited management accounts of the companies now comprising our Group.

### **FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Our financial conditions and results of operations have been, and will continue to be, affected by a number of factors, including those set out below and in the section headed “Risk factors” in this prospectus.

#### **Market demand**

Our results of operations are directly affected by our revenue, which in turn is a function of market demand for our foundation works. Market demand is in turn significantly affected by factors including the Hong Kong government’s investment in housing and infrastructure projects, general demand for properties in Hong Kong, supply of land and the economic environment in Hong Kong. During the track record period, our revenue was significantly influenced by the size and number of foundation projects undertaken by us.

#### **Pricing of our foundation services**

The foundation projects undertaken by us are awarded by way of quotation requested by our customers who are the foundation contractors in Hong Kong. We determine our quotation price taking into the considerations of factor such as the site conditions, price of construction materials as quoted from our suppliers, human resources, programme of works, availability of machineries and other factors in preparing a quotation. While it is our objective to charge a reasonable price to maximise the shareholders’ value, offering an uncompetitive quotation price higher than our competitors may render our quotation unsuccessful. Offering a quotation price below the actual cost may on the other hand erode or eliminate our gross profit and affect our financial results. Failure to balance the various factors in determining quotation price will adversely affect our financial performance and results of operation.

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### **Unexpected fluctuation in cost of sales**

The foundation projects undertaken by us are normally awarded by way of quotation. We need to estimate the construction time and costs in order to determine the quotation price. The actual costs of service may deviate from our estimation. There may be fluctuations in the costs of sales during the actual implementation of the project. In the event that the costs of sales increases unexpectedly to the extent that our Group has to incur substantial extra costs without sufficient compensations, the financial performance and profitability of our Group will be adversely affected.

### **Recoverability of progress payment and retention money**

We normally receive progress payment from our customers on a monthly basis with reference to the value of works done, and a portion of such payment, normally at 5 to 10%, is usually withheld by our customers as retention money. There can be no assurance that progress payment will be paid to us on time and in full, or the retention money or any future retention money will be remitted by our customers to us on a timely basis and in full or that the bad debt arising from such payment practice can be maintained at the same level as in the Track Record Period, our future liquidity position may be adversely affected.

### **Determination of price of variation works**

There are also cases that variation clauses are written in the subcontract entered into between our Group and our customer requiring us to perform certain variation works which are not included in the original design layout specification. Our customers will perform measurement and evaluation to the variation work and make adjustment to the subcontract sum. Such adjustment will be reflected in the customer progress certificates to reflect such changes. In the event our Group disagrees on the rates fixed by our customers, contractual disputes with our customers may arise, and our results of operations, liquidity and financial position may be adversely affected.

## **CRITICAL ACCOUNTING POLICIES**

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



## FINANCIAL INFORMATION

### Revenue recognition

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

#### *(a) Foundation subcontracts income*

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

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

Revenue from contract work is recognised based on the stage of completion of the subcontracts, provided that the stage of subcontract completion and the gross billing value of subcontracting work can be measured reliably. The stage of completion of a subcontract is established to the progress certificate (by reference to the amount of completed works confirmed by surveyor) issued by our customers.

#### *(b) Interest income*

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

### Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Plant and machinery	25%
Furniture and fixtures	25%
Office equipment	25%
Motor vehicles	25%

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

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

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

### **Lease and hire purchase contracts**

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

#### *Our Group as lessee*

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

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

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

### **Foundation subcontracts in progress**

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

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

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### PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

#### Revenue

Revenue represents the gross receipts on subcontracts entered into between our Group and our customers in the ordinary course of our Group's foundation business. Subcontract income is recognised based on the stage of completion of the subcontracts. The stage of completion of a subcontract is established by reference to the construction works certified by our customers. The portion of total subcontract revenue that is certified to have been completed in a period is recognised as revenue of our Group in the respective period. For the three years ended 31 March 2011, 2012 and 2013, the revenues of our Group were contributed by 35, 27 and 23 foundation projects respectively. The decrease in number of foundation projects contributed to our revenue over the Track Record Period was mainly due to the general increase in size of our foundation projects in terms of construction site area, subcontract value and workload. The following table sets out our turnover during the Track Record Period:

	<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>						
Foundation works						
— Private sector	76,416	37.3%	189,310	75.8%	197,451	55.4%
— Public sector	<u>128,572</u>	<u>62.7%</u>	<u>60,276</u>	<u>24.2%</u>	<u>158,649</u>	<u>44.6%</u>
	<u>204,988</u>	<u>100.0%</u>	<u>249,586</u>	<u>100.0%</u>	<u>356,100</u>	<u>100.0%</u>

#### Cost of sales

Cost of sales primarily consists of (i) construction materials costs; (ii) sub-subcontracting charges; (iii) staff costs; (iv) machinery rental cost; (v) depreciation expenses for machinery; and (vi) transportation expenses. Construction materials costs mainly represent direct costs for the purchase of cement, diesel fuel and spare parts of machinery such as diamond and button bits that are directly attributed to foundation project works. Sub-subcontracting charges represent direct costs paid to our Group's sub-subcontractors to carry out part of our foundation works. Staff costs represent compensation and benefits provided to direct workers involved in our foundation projects. Machinery rental cost represents the cost incurred for renting cranes to lift our heavy construction materials and machinery at the construction sites. Depreciation expenses for machinery which is used in generating our Group's revenue are recognised as part of the cost of sales. Transportation expenses are the fees paid for transporting our machinery and equipment as well as the costs for handling the excavated soil and garbage generated when we carry out foundation works at construction sites. Specialised transportation companies are engaged to transport our Group's machinery between construction sites and workshops as heavy-duty vehicles are required.

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

	<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>
Construction materials costs	87,163	91,655	95,073
Cement	16,961	17,936	24,050
Diesel fuel	18,954	20,746	19,511
Machinery spare parts	51,248	52,973	51,512
Sub-subcontracting charges	12,916	16,610	51,320
Staff costs	46,753	50,682	55,696
Machinery rental cost	16,376	13,727	20,657
Depreciation expenses for machinery	8,588	10,310	11,867
Transportation expenses	7,232	5,745	8,693
Repair and maintenance	3,347	3,225	3,355
Other	1,452	1,221	2,166
	183,827	193,175	248,827

The following table set out the sub-subcontracting charges of each sub-subcontractor during the Track Record Period:

	<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>Sub-subcontracting charges</b>			
Sub-subcontractor A	—	—	743
Sub-subcontractor B	—	—	8,050
Sub-subcontractor C	198	—	—
Sub-subcontractor D	544	1,901	3,804
Sub-subcontractor E	304	16	—
Sub-subcontractor F	1,229	1,509	1,238
Sub-subcontractor G	—	—	4,138
Sub-subcontractor H	2,060	1,491	1,552
Sub-subcontractor I	2,721	3,353	3,747
Sub-subcontractor J	645	—	170
Sub-subcontractor K	—	—	1,596
Sub-subcontractor L ( <i>Note</i> )	1,370	—	9,755
Sub-subcontractor M	—	2,215	3,872
Sub-subcontractor N	—	—	933
Sub-subcontractor O	—	1,606	1,920
Sub-subcontractor P	3,845	4,519	9,382
Sub-subcontractor Q	—	—	420
<b>Total</b>	12,916	16,610	51,320

*Note:* Sub-subcontractor L, namely Supplier G, was one of the five largest suppliers for the year ended 31 March 2013.

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The following table sets out the quantities of cement and diesel fuel used by us during the Track Record Period:

<b>Cement</b>	<b>Year ended 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>Metric</i> <i>Tonnes</i>	<i>Metric</i> <i>Tonnes</i>	<i>Metric</i> <i>Tonnes</i>
Quantity directly consumed by our Group	28,550	28,659	34,839
Estimated quantity provided by sub-subcontractors ( <i>Note</i> )	—	—	1,025
<b>Total</b>	<b>28,550</b>	<b>28,659</b>	<b>35,864</b>

<b>Diesel fuel</b>	<b>Year ended 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>Litres</i>	<i>Litres</i>	<i>Litres</i>
Quantity directly consumed by our Group	3,373,726	2,870,090	2,701,479
Estimated quantity provided by sub-subcontractors ( <i>Note</i> )	—	—	222,377
<b>Total</b>	<b>3,373,726</b>	<b>2,870,090</b>	<b>2,923,856</b>

*Note:* Unlike the two years ended 31 March 2011 and 2012, some of our sub-subcontractors in the year ended 31 March 2013 purchased construction materials including machinery spare parts, diesel fuel and cement by themselves for handling the part of foundation works assigned by us. The costs of construction materials purchased by such sub-subcontractors were included in the sub-subcontracting charges.

The amount of each of the elements of cost of sales and the composition of cost of sales depend on various factors. The amount of construction material costs depends on the volume and price of materials used in foundation projects. The amount of sub-subcontracting charges depends on the amount of foundation works that we outsourced to our sub-subcontractors. Staff costs are primarily related to the number of direct workers of our Group. Depreciation arises from machinery which is used directly in generating our Group's revenue.

Under the normal circumstances, due to the limited space for inventory storage at the construction sites, our Group generally does not keep excess inventory. To ensure the construction materials will be supplied to each of our construction sites in a timely manner for facilitating project implementation, construction materials will be delivered frequently throughout the project duration. Most of the construction materials are delivered by our suppliers directly to our construction sites for immediate consumption. The amount and timing of construction materials to be ordered is assessed and controlled by the project managers of our project management teams on a project-by-project basis depending on the progress of works and specific requirements of each project. During the project period, our project manager will monitor the materials consumption level and place orders to replenish materials being used up shortly to ensure the progress would not be interrupted. In view of that our Group would not keep excess inventory at the end of the reporting period, our Directors are of the view that the amounts of construction materials remained at our construction sites at the end of each of the reporting periods were

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insignificant to our Group. The receipts of construction materials are recorded based on the delivery notes signed by our authorised staff (e.g. foreman). Under our Group's financial reporting system, our accountant will record the amounts of construction materials as trade payables upon receipts of construction materials and the same amounts will be recognised as cost of sales simultaneously.

For the measurement of the stage of completion of foundation projects, throughout the project period, our customers will assess the value of work done by our Group on a monthly basis when our Group submits an interim invoice detailing the amount of works completed during the preceding month. Under our Group's financial reporting system, revenue from foundation works is recognised according to the stage of completion which is established by reference to the amount of completed foundation works certified by our customers.

To ensure the financial reporting system operates in accordance with the accounting policies adopted by our Group, all accounting entries for preparing our Group's monthly management accounts are handled by respective accountants based on relevant supporting documents. Such monthly management accounts together with supporting documents such as signed goods delivery notes, interim invoices and certificates of completion from our customers will be reviewed by our senior accountant before being submitted to our Directors for further review and approval.

Our Group recognises revenue based on the stage of completion of the subcontracts in accordance with our Group's accounting policy which complies with Hong Kong Accounting Standard 11 "*Construction Contracts*" issued by the Hong Kong Institute of Certified Public Accountants. For the three years ended 31 March 2011, 2012 and 2013, our Group normally submitted an interim invoice to our customers on a monthly basis detailing the amount of works completed during the preceding month. When our Group provided the interim invoice, our customer would issue a progress certificate certifying the construction work-in-progress during the preceding month. Any difference between the amount in our Group's interim invoice and our customer's progress certificate would be adjusted in the next reporting period. Our Directors consider that such differences for the years ended 31 March 2011, 2012 and 2013 were insignificant to our Group.

No direct labour costs were required to be capitalised as construction work-in-progress in the combined statements of financial position of our Group as at 31 March 2011, 2012 and 2013, because substantially all of the direct labour costs incurred by our Group had already been invoiced to our customers and agreed in our customers' progress certificates as of those dates. Accordingly, the direct labour costs were accounted for as an expense and included in cost of sales in the combined income statement of our Group for the years ended 31 March 2011, 2012 and 2013.

Furthermore, our Group did not recognise inventory of construction materials in the combined statements of financial position of our Group as at 31 March 2011, 2012 and 2013, because (i) our Group generally does not keep excess inventory of construction materials due to limited storage space at our construction sites; and (ii) the construction materials are delivered by our suppliers directly to our construction sites for immediate consumption. Our Directors consider that the amounts of construction materials remained at our construction sites as at 31 March 2011, 2012 and 2013 were insignificant to our Group. Accordingly, the costs of construction materials were accounted for as an expense and included in cost of sales in the combined income statement of our Group for the years ended 31 March 2011, 2012 and 2013.

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### Other income and net gains

Other income and net gains mainly includes gain on disposal of fixed assets. During the Track Record Period, our Group disposed certain fixed assets, which mainly included machines, with sales proceeds leading to gain on disposal of fixed assets.

### Administrative expenses

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

	<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>
Staff costs, including Directors' emoluments	8,266	11,007	16,553
Travelling	2,183	2,535	2,812
Operating lease rental on land and buildings	481	496	852
Provision for long service payments	—	—	849
Depreciation	530	368	556
Insurance	178	272	587
Auditors' remuneration	50	70	300
Building management fee	39	40	40
Other expenses	<u>3,958</u>	<u>3,547</u>	<u>9,228</u>
	<u><u>15,685</u></u>	<u><u>18,335</u></u>	<u><u>31,777</u></u>

	<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>
Other expenses			
Listing expenses	—	—	3,327
Business entertainment	1,668	2,008	2,889
Staff welfare	1,324	567	1,586
Others	<u>966</u>	<u>972</u>	<u>1,426</u>
	<u><u>3,958</u></u>	<u><u>3,547</u></u>	<u><u>9,228</u></u>

Staff costs represent compensation and benefits provided to our Directors and administrative staff of our Group. Operating lease rental on premises mainly represent rental expenses for three office units and warehouse rented by our Group during the Track Record Period. Travelling expenses incurred by our executive Directors, project managers, foremen and other relevant staff for travelling between our office, warehouse and construction sites. Depreciation expenses for office equipment, motor vehicles and furniture and fixtures, which are not directly involved in foundation projects, are recognised as administrative expenses. Insurance expense mainly represents the cost incurred for maintaining basic

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insurance for our Group's employees who work at our office and warehouse. Other administrative expenses mainly represent our Group's expenditures incurred for advertising, consultation, legal advisory services, staff welfare, other utilities and the Listing.

### **Finance costs**

Finance costs represent interest expenses on bank borrowings and finance lease liabilities. Interest on finance lease liabilities was incurred for some of our Group's machines that were acquired under finance leases during the Track Record Period. Our Group purchased those machines from suppliers, sold them to a bank and the bank leased back those machines to our Group for lease terms ranging from 18 to 24 months. Interest on bank borrowings and finance leases was determined with reference to current prime rate.

### **Income tax**

Our Group's revenue during the Track Record Period was derived in Hong Kong, and our Group was subject to profits tax in Hong Kong. Provision for Hong Kong profits tax is provided at the statutory profits tax rate of 16.5% of the estimated assessable profits for the Track Record Period. The effective tax rates of our Group for the three years ended 31 March 2011, 2012 and 2013 were approximately 18.0%, 16.5% and 17.2% respectively.

## **PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS**

### **Year ended 31 March 2013 compared to year ended 31 March 2012**

#### *Revenue*

Our Group's revenue increased by around 42.7% from approximately HK\$249.6 million for the year ended 31 March 2012 to approximately HK\$356.1 million for the year ended 31 March 2013. Such notable increase was due to the recovery in construction market sentiment as evidenced by (i) the rise in our general subcontract fee as a result of the shortage of foundation work service in the construction industry of Hong Kong; and (ii) the increase in amount of foundation works completed by our Group during the year ended 31 March 2013. Although many of our Group's foundation projects spanned over the two years ended 31 March 2012 and 2013, the majority of works was conducted and completed during the year ended 31 March 2013 which led to a greater portion of the total subcontract sum recognised as our revenue for the year ended 31 March 2013. In addition, the growth of demand for foundation work service increased the general subcontract fee level in the Hong Kong foundation industry because the supply of foundation work service in the market could not catch up with such demand growth, and thus provided more opportunities to our Group for cooperating with our major customers, which in turn increased our revenue from our five largest customers significantly for the year ended 31 March 2013. Our Directors consider that our general subcontract fee level increased by approximately 14% and the amount of foundation works completed by us increased by approximately 25% for the year ended 31 March 2013 as a result of the aforesaid factors. Save for those foundation projects that spanned over the two financial years, we participated in 16 new foundation projects in the year ended 31 March 2013 which contributed approximately 53.3% of our revenue for that financial year.



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### *Cost of sales*

Our Group's cost of sales increased by approximately 28.8% from approximately HK\$193.2 million for the year ended 31 March 2012 to approximately HK\$248.8 million for the year ended 31 March 2013. Such increase was primarily due to the increase in sub-subcontracting charges, machinery rental cost, staff costs and depreciation expenses.

Sub-subcontracting charges increased by approximately HK\$34.7 million, or 209.0%, to approximately HK\$51.3 million for the year ended 31 March 2013. Such significant increase in sub-subcontracting charges was due to the increase in amount of foundation works handled in the year ended 31 March 2013 and the fact that (i) we increased sub-subcontracting part of our foundation works, such as drilling, welding and grouting, to our internally approved sub-subcontractors after considering our internal resources level and cost effectiveness at that time and, therefore, the number of sub-subcontractors used by us increased from 8 for the year ended 31 March 2012 to 15 for the year ended 31 March 2013; and (ii) unlike the two years ended 31 March 2011 and 2012, some of our sub-subcontractors including Sub-subcontractors A, B, G, H, K, L and N in the year ended 31 March 2013 purchased construction materials including machinery spare parts, diesel fuel and cement by themselves for handling the part of foundation works assigned by us. The costs of construction materials purchased by such sub-subcontractors were included in the sub-subcontracting charges. Our Directors consider that if no construction materials was provided by our sub-subcontractors, the sub-subcontracting charges would decrease from approximately HK\$51.3 million for the year ended 31 March 2013 to approximately HK\$42.6 million for the same financial year. As the quantity of cement and diesel fuel provided by our sub-subcontractors only represent small portion of our total cement and diesel fuel consumption for the year ended 31 March 2013, we allow our sub-subcontractors to purchase construction materials by themselves as long as they use the suppliers designated by us and the overall sub-subcontractor fee is reasonable from the view of our Directors.

The increase in machinery rental cost of approximately 50.5% on a year-on-year basis was due to the increase in frequency and time of renting cranes for lifting our heavy construction materials and machinery at the construction sites as a result of the increase in amount of foundation works handled in the year ended 31 March 2013. Our staff costs increased by around 9.9% to approximately HK\$55.7 million for the year ended 31 March 2013 due to the increase in number of frontline staff such as project managers, foremen and machinery operators to cope with our business growth as well as the salary increment for retaining our staff. The increase in depreciation expenses of approximately 15.1% on a year-on-year basis was due to the additions of machinery in the year ended 31 March 2013.

The increase in construction materials costs of approximately 3.7% was relatively immaterial, primarily due to (i) the long-term supply contracts entered into between our Group and our major suppliers of cement and diesel fuel which minimised the costs; (ii) the continuous improvement in our machinery operation skills that minimised the wear and tear of our machinery spare parts, especially the diamond and button bits; (iii) our improvement in cost control; and (iv) the increase in sub-subcontracting charges resulted from including the costs of construction materials (comprising cement, diesel fuel and machinery spare parts) purchased by our sub-subcontractors for the year ended 31 March 2013 which eased the increment of our own construction materials costs.

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Our cement cost increased by around 34.1% to approximately HK\$24.1 million for the year ended 31 March 2013 mainly due to the increase in quantity used by us. The quantity of cement used by us increased by around 25.1% from approximately 28,659 metric tonnes for the year ended 31 March 2012 to approximately 35,864 metric tonnes (including the quantity of cement provided by sub-subcontractors) for the year ended 31 March 2013. Our Directors consider that such increase in quantity was in line with the increase in amount of foundation works completed by us in the year ended 31 March 2013.

Our diesel fuel cost decreased by around 6.0% for the year ended 31 March 2013. Save for the effect of the long-term supply contract, such decrease was partially due to our diesel fuel usage monitoring system implemented in April 2012. Under this system, our respective staff inspect the fuel meters of machines at each construction site and record the readings on a daily basis. A monthly report which summarises the daily consumption of diesel fuel at each construction site is generated for our Directors' review. Any abnormal consumption identified by our Directors would be followed up by our respective project managers and foremen and, therefore, our workers were more aware of shutting off the engines when the machinery was not being used. Our Directors are of the view that the control on diesel fuel cost has been improved after the implementation of such system, which also enhanced our overall cost efficiency. The quantity of diesel fuel directly consumed by our Group decreased by around 5.9% from 2,870,090 litres for the year ended 31 March 2012 to 2,701,479 litres for the year ended 31 March 2013. Our Directors consider that the total quantity of diesel used by us, including the quantity provided by our sub-subcontractors, was approximately 2,923,856 litres for the year ended 31 March 2013, representing an increase of about 1.9% on a year-on-year basis. Such minimal increase was not in line with the increase in amount of foundation works completed by us in the year ended 31 March 2013. Our Directors consider that such effect was primarily due to the aforesaid diesel fuel usage monitoring system implemented in April 2012 which saved our diesel fuel cost by around 15% to 20% during the year ended 31 March 2013.

Our costs of machinery spare parts decreased by around 2.8% for the year ended 31 March 2013 partially as a result of the minimisation of wear and tear which was due to our continuous improvement in machinery operation skills. Our level of machinery operation skills is highly correlated with the wear and tear of machinery spare parts and such skills can only be developed through persistent practice at construction sites in various locations with different geological characteristics and, therefore, our experienced machinery operators who have well-developed practical skills are important to our operation efficiency. Our Directors are of the view that an experienced machinery operator, who possesses knowledge to work under different geographical environment, has the ability to select the appropriate type and size of drilling bit and other machinery spare parts to handle drilling works according to the underground conditions such as the texture and hardness of sub-soil and bedrock. Any misjudgment of equipment selection could (i) adversely affect the process of drilling works; (ii) accelerate the wear and tear process of machinery spare parts; and (iii) even cause irreparable damages to our machinery and spare parts. Accordingly, the higher the level of machinery operation skills, the longer the operational lives of machinery spare parts. Our Directors confirmed that the prices of machinery spare parts especially diamond and button bits remained stable over the Track Record Period and, therefore, there was no significant change in quantities of major spare parts consumed by us for the year ended 31 March 2013. Our Directors consider that such effect was due to our improved machinery operation skills which maximised the operation lives of and workload that could be handled by our machinery spare parts. In other words, we used similar quantities of machinery spare parts to handle more drilling works in the year ended 31 March 2013.

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### *Gross profit and gross profit margin*

Our Group's gross profit increased from approximately HK\$56.4 million for the year ended 31 March 2012 to approximately HK\$107.3 million for the year ended 31 March 2013. Such increase was mainly due to the growth of our revenue and the increase in our gross profit margin. Our gross profit margin increased from approximately 22.6% for the year ended 31 March 2012 to approximately 30.1% for the year ended 31 March 2013 primarily attributable to (i) the increase in our general subcontract fee level of around 14% caused by the growth of demand for foundation works in the Hong Kong construction industry which partially offset the increment of our cost of sales; (ii) the minimised construction materials costs resulted from our Group's long term supply contracts entered into with our major suppliers of cement and diesel fuel; (iii) the continuous improvement in our machinery operation skills that reduced the wear and tear of our machinery spare parts, which in turn minimised our construction materials costs; and (iv) the improvement in our cost efficiency.

Our construction materials costs, which are the main component of our cost of sales, accounted for approximately 38.2% of our cost of sales for the year ended 31 March 2013. Partially due to our diesel fuel usage monitoring system and successful retaining of quality and experienced machinery operators who possess well-developed machinery operation skills which improved our cost efficiency, our construction materials costs only increased by around 3.7% for the year ended 31 March 2013. Such minimal increase in the major component of cost of sales, which compensated the increment of other cost of sales items, was one of the main reasons for the increase in our gross profit margin. In addition, (i) the completion of sub-subcontracted works by our internally approved sub-subcontractors in a cost efficient manner; and (ii) the enhancement of automation by purchasing additional automatic grouting station which helps to increase our operation efficiency and maintain consistency in work quality, partly contributed to our improvement in gross profit margin for the year ended 31 March 2013.

### *Effect of long-term supply contracts on gross profit margin for the year ended 31 March 2013*

Our Directors estimate that the construction materials costs would increase by around 10.1% from approximately HK\$95.1 million for the year ended 31 March 2013 to approximately HK\$104.7 million for the same financial year if our Group could not benefit from the discounts under the long-term supply contracts. Such increment of construction materials costs would reduce (i) our gross profit by around 9.0% from approximately HK\$107.3 million for the year ended 31 March 2013 to approximately HK\$97.6 million for the same financial year; and (ii) our gross profit margin by around 2.7 percentage points from approximately 30.1% for the year ended 31 March 2013 to approximately 27.4% for the same financial year.

### *Other income and net gain*

Our Group's other income and net gain dropped by around 16.8% from approximately HK\$388,000 for the year ended 31 March 2012 to approximately HK\$323,000 for the year ended 31 March 2013. Such decrease was mainly due to the fact that less machines were disposed at prices greater than the net book values during the year ended 31 March 2013.

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### *Administrative expenses*

Our Group's administrative expenses increased by around 73.3% from approximately HK\$18.3 million for the year ended 31 March 2012 to approximately HK\$31.8 million for the year ended 31 March 2013. Such increase was mainly due to (i) the increase in staff costs of approximately HK\$5.5 million as a result of the increase in number of administrative staff and salary and the increase in Directors' emoluments; (ii) the increase in other expenses of approximately HK\$5.7 million caused by the expenses of approximately HK\$3.3 million incurred for the Listing and the increase in expenses for staff welfare of approximately HK\$1.0 million.

### *Finance costs*

Interest on bank borrowings and finance lease liabilities decreased from approximately HK\$643,000 for the year ended 31 March 2012 to approximately HK\$437,000 for the year ended 31 March 2013. Although our borrowings increased from approximately HK\$14.6 million as at 31 March 2012 to approximately HK\$16.8 million as at 31 March 2013, our monthly average balance of borrowings for the year ended 31 March 2013 was less than that for the previous financial year and, therefore, we recorded a decrease in our finance costs.

### *Income tax*

The effective tax rates for the two years ended 31 March 2012 and 2013 were approximately 16.5% and 17.2% respectively. The effective tax rate for the year ended 31 March 2013 was slightly higher than the statutory profits tax rate of 16.5% because an amount of expense of approximately HK\$3.3 million in relation to the Listing was not deductible for tax.

### *Profit for the year*

Our Group's profit for the year ended 31 March 2013 was approximately HK\$62.4 million, indicating a growth of approximately 97.7% on a year-on-year basis, mainly due to (i) the growth of our revenue of approximately 42.7%; (ii) the increase in our gross profit margin from approximately 22.6% to approximately 30.1%; and (iii) the fact that the increase in our administrative expenses was less than the growth of our gross profit in terms of percentage because of our Group's continuous improvement in cost management.

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

#### *Revenue*

Our Group's revenue increased by around 21.8% from approximately HK\$205.0 million for the year ended 31 March 2011 to approximately HK\$249.6 million for the year ended 31 March 2012. Such increase in revenue was due to the growth of demand for foundation works in the Hong Kong construction industry as a result of the increasing spending by the Hong Kong government on public infrastructure projects and the increase in number of private property projects caused by the Hong Kong government's relevant actions for increasing the supply of residential flats with a view to stabilising the local property market. The growth of demand increased the general subcontract fee level in the Hong Kong foundation industry because the supply of foundation work service could not catch up with such demand growth, and thus provided more opportunities to our Group for cooperating with our major

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customers, which in turn increased our revenue from our five largest customers significantly for the year ended 31 March 2012. Our Directors consider that our general subcontract fee level increased by approximately 17% and the amount of foundation works completed by us increased by approximately 4% for the year ended 31 March 2012 as a result of the aforesaid factors. Save for those foundation projects that spanned over the two years ended 31 March 2011 and 2012, we participated in 16 new foundation projects in the year ended 31 March 2012 which contributed approximately 68.0% of our revenue for that financial year.

### *Cost of sales*

Our Group's cost of sales increased from approximately HK\$183.8 million for the year ended 31 March 2011 to HK\$193.2 million for the year ended 31 March 2012. Such increase was due to the increase in construction materials costs, sub-subcontracting charges, staff costs and depreciation expenses.

The construction materials costs increased by around 5.2% on a year-on-year basis, which was not in line with the growth of our revenue, because (i) we entered into long-term supply contracts with our major suppliers of cement and diesel fuel to minimise the construction material costs; (ii) we introduced fuel measuring tanks for improving the quantity accuracy of diesel fuel provided by our suppliers at construction sites; (iii) we improved our machinery operation skills that minimised the wear and tear of our machinery spare parts, including the diamond and button bits; and (iv) our revenue growth was partially contributed by the general increase in our subcontract fee level due to the increase in demand for foundation works in the Hong Kong construction industry. As a result, while our revenue increased by approximately 21.8% on a year-on-year basis, our costs of cement, diesel fuel and machinery spare parts only increased by around 5.7%, 9.5% and 3.4% respectively for the year ended 31 March 2012.

Save for the effect of the long-term supply contract, the minimal increase in our cement cost was partially due to the slight increase in quantity of cement consumed. The quantity of cement consumed by us increased by around 0.4% from approximately 28,550 metric tonnes for the year ended 31 March 2011 to approximately 28,659 metric tonnes for the year ended 31 March 2012. Our Directors consider that such slight increase was roughly in line with the increase in amount of foundation works completed by us.

The quantity of diesel fuel used by our Group decreased by around 14.9% from 3,373,726 litres for the year ended 31 March 2011 to 2,870,090 litres for the year ended 31 March 2012. Such decrease in quantity was not in line with the increase in amount of foundation works completed by us in the year ended 31 March 2012. Our Directors consider that such effect was primarily due to the introduction of fuel measuring tanks in the year ended 31 March 2012 for ensuring the accuracy of diesel fuel quantity when the suppliers provided diesel fuel at construction sites. After such introduction, our Group no longer relies on fuel meters for measuring the quantity of diesel fuel pumped out from the tankers of our supplier and our Directors consider that this measure saved our diesel fuel cost by around 15% to 20% for the year ended 31 March 2012. Before the introduction of diesel fuel measuring tanks, the volume of fuel we received was measured by the meters installed in the supplier's tankers. In some cases, the distance between our storage tank or machine and the supplier's tanker is over one hundred meters. As the meter readings were taken at the supplier's tanker, the fuel flowing out from the tanker would be counted as output. The volume of fuel inside the pipe between the supplier's tanker and our storage tank or machine would flow back to the supplier's tanker when the pumping action stopped. However, the

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meter installed in the supplier's tanker would not record the volume which flowed back to the supplier's tanker. Having discussion with the supplier, we decided to use the measuring tanks to eliminate the aforesaid discrepancy.

Our Directors confirmed that the prices of machinery spare parts especially diamond and button bits remained stable over the Track Record Period and, therefore, there was no significant change in quantities of major spare parts consumed by us for the year ended 31 March 2012. Our Directors consider that such effect was due to our improved machinery operation skills which maximised the operation lives of and workload that could be handled by our machinery spare parts. In other words, we used similar quantities of machinery spare parts to handle more drilling works in the year ended 31 March 2012.

The sub-subcontracting charges increased by around 28.6% for the year ended 31 March 2012 as compared with that for the previous financial year. Such increase was roughly in line with the growth of our revenue. The increase in depreciation expenses of approximately 20.1% on a year-on-year basis was in line with the growth of our fixed assets as at 31 March 2012. The staff costs increased by around 8.4% from approximately HK\$46.8 million for the year ended 31 March 2011 to approximately HK\$50.7 million for the year ended 31 March 2012 mainly due to the increase in number of frontline staff such as project managers, foremen and machinery operators to cope with our business growth as well as the salary increment to retain our staff.

### *Gross profit and gross profit margin*

Our Group's total gross profit increased by around 1.7 times from approximately HK\$21.2 million for the year ended 31 March 2011 to approximately HK\$56.4 million for the year ended 31 March 2012. Such increase was mainly due to the growth of our revenue and the increase in our gross profit margin. Our gross profit margin increased significantly from approximately 10.3% for the year ended 31 March 2011 to approximately 22.6% for the year ended 31 March 2012 primarily attributable to (i) the increase in our general subcontract fee level of approximately 17% caused by the growth of demand for foundation works in the Hong Kong construction industry which partially offset the increment of our cost of sales; (ii) the entering into of long-term supply contracts with our major suppliers of cement and diesel fuel which minimised the construction materials costs; (iii) the introduction of diesel fuel measuring tanks which saved our fuel cost; (iv) the continuous improvement in our machinery operation skills that minimised the wear and tear of our machinery spare parts, which in turn minimised our construction materials costs; and (v) the decrease in transportation expenses and machinery rental cost of approximately HK\$4.1 million due to the reduction in frequency of transferring our machines between construction sites. The foundation projects awarded to us for the year ended 31 March 2012 were generally larger in terms of construction site area, subcontract value and workload as compared to that of the previous financial year and, therefore, our project duration generally increased in the year ended 31 March 2012. Our Directors consider that the general lengthened project duration reduced the frequency of moving our machines from one construction site to another throughout the financial year, which in turn decreased our demand for machinery transportation and rental services.

Our construction materials costs, which are the main component of our cost of sales, accounted for approximately 47.4% of our cost of sales for the year ended 31 March 2012. Due to our successful retaining of quality and experienced machinery operators who possess well-developed machinery operation skills, the entering into of the long-term supply contracts and the introduction of diesel fuel



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measuring tanks, our construction materials costs only increased by around 5.2% for the year ended 31 March 2012. Such minimal increase in the major component of cost of sales, which compensated the increment of other costs such as sub-subcontracting charges, was one of the main reasons for the increase in our gross profit margin.

### *Effect of long-term supply contracts on gross profit margin for the year ended 31 March 2012*

Our Directors estimate that the construction materials costs would increase by around 10.7% from approximately HK\$91.7 million for the year ended 31 March 2012 to approximately HK\$101.5 million for the same financial year if our Group could not benefit from the discounts under the long-term supply contracts. Such increment of construction materials costs would reduce (i) our gross profit by around 17.4% from approximately HK\$56.4 million for the year ended 31 March 2012 to approximately HK\$46.6 million for the same financial year; and (ii) our gross profit margin by around 3.9 percentage points from approximately 22.6% for the year ended 31 March 2012 to approximately 18.7% for the same financial year.

### *Other income and net gain*

Our Group recorded other income and net gains, which mainly represent gain on disposal of fixed assets, of approximately HK\$101,000 and HK\$388,000 for the two years ended 31 March 2011 and 2012 respectively. The increase in other income and net gains was due to the fact that more machines were disposed at prices greater than the net book values during the year ended 31 March 2012.

### *Administrative expenses*

Administrative expenses increased by around 16.9% from approximately HK\$15.7 million for the year ended 31 March 2011 to approximately HK\$18.3 million for the year ended 31 March 2012. Such increase was mainly due to the increase in staff costs of approximately HK\$2.7 million as a result of (i) the increase in number of administrative staff and salary; and (ii) the increase in Directors' emoluments.

### *Finance costs*

Interest on bank borrowings and finance lease liabilities increased from approximately HK\$352,000 for the year ended 31 March 2011 to approximately HK\$643,000 for the year ended 31 March 2012 because we used more finance leases to support our investment in machinery during the year ended 31 March 2012. The carrying amount of finance lease liabilities increased from approximately HK\$2.1 million as at 31 March 2011 to approximately HK\$5.8 million as at 31 March 2012.

### *Income tax*

The effective tax rates for the two years ended 31 March 2011 and 2012 were approximately 18.0% and 16.5% respectively. The effective tax rates for the year ended 31 March 2011 was slightly higher than the statutory profits tax rate of 16.5% because an amount of expense of approximately HK\$500,000 was not deductible for tax.

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### *Profit for the year*

Our Group's profit for the year ended 31 March 2012 was approximately HK\$31.6 million, increased significantly by around 6.4 times on a year-on-year basis, mainly due to (i) the growth of our revenue of approximately 21.8%; (ii) the increase in our gross profit margin from approximately 10.3% to approximately 22.6%; and (iii) the fact that the increase in our administrative expenses was less than the growth of our gross profit in terms of percentage because of our Group's improved cost management.

### **LIQUIDITY AND CAPITAL RESOURCES**

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

#### **Cash Flows**

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

	<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>Cash and cash equivalents at 1 April</b>	14,796	4,400	22,590
Net cash generated from operating activities	6,120	31,472	76,951
Net cash used in investing activities	(14,326)	(13,974)	(14,101)
Net cash (used in)/generated from financing activities	(2,190)	692	(18,230)
	<u>(2,190)</u>	<u>692</u>	<u>(18,230)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(10,396)	18,190	44,620
<b>Cash and cash equivalents at 31 March</b>	<u>4,400</u>	<u>22,590</u>	<u>67,210</u>

#### **Net cash generated from operating activities**

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

For the year ended 31 March 2013, we had net cash from operating activities of approximately HK\$77.0 million, primarily as a result of profit before income tax of approximately HK\$75.4 million, adjusted for (i) depreciation of approximately HK\$12.4 million; (ii) the increase in trade and other receivables of approximately HK\$2.3 million; and (iii) the increase in trade and other payables of approximately HK\$1.8 million, less tax payment of approximately HK\$11.3 million for the year ended 31 March 2013. The balance of trade and other receivables, and trade and other payables increased with our Group's business growth for the year ended 31 March 2013.



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For the year ended 31 March 2012, we had net cash from operating activities of approximately HK\$31.5 million, primarily as a result of profit before income tax of approximately HK\$37.8 million, adjusted for (i) depreciation of approximately HK\$10.7 million; (ii) the increase in trade and other receivables of approximately HK\$13.2 million; and (iii) the decrease in trade and other payables of approximately HK\$3.9 million. The balance of trade and other receivables increased as a result of our revenue growth for the year ended 31 March 2012. The balance of trade and other payables decreased because our procurement of construction materials during the year ended 31 March 2011 was mainly incurred in the fourth quarter which accounted for approximately 32.2% of the total purchase amount of construction materials for the whole financial year while our procurement of construction materials during the fourth quarter of the year ended 31 March 2012 only accounted for approximately 19.4% of the total annual purchase amount of construction materials.

For the year ended 31 March 2011, we had net cash from operating activities of approximately HK\$6.1 million, primarily as a result of profit before income tax of approximately HK\$5.2 million, adjusted for (i) depreciation of approximately HK\$9.1 million; (ii) the increase in trade and other receivables of approximately HK\$15.5 million; and (iii) the increase in trade and other payables of approximately HK\$7.0 million. The balance of trade and other receivables increased as a result of our revenue growth for the year ended 31 March 2011. The balance of trade and other payables increased as at 31 March 2011 due to the increase in our procurement as a result of our revenue growth.

### **Net cash used in investing activities**

For the year ended 31 March 2013, we had net cash used in investing activities of approximately HK\$14.1 million, representing the amount of property, plant and equipment, mainly included machinery, purchased by our Group of approximately HK\$14.4 million, offset by proceeds from disposal of old property, plant and equipment of approximately HK\$270,000 and interest received from bank deposits of approximately HK\$53,000.

For the year ended 31 March 2012, we had net cash used in investing activities of approximately HK\$14.0 million, representing the amount of property, plant and equipment, mainly included machinery, purchased by our Group of approximately HK\$14.4 million, offset by proceeds from disposal of old property, plant and equipment of approximately HK\$388,000.

For the year ended 31 March 2011, we had net cash used in investing activities of approximately HK\$14.3 million, representing the amount of property, plant and equipment, mainly included machinery, purchased by our Group of approximately HK\$14.4 million, offset by proceeds from disposal of old property, plant and equipment of approximately HK\$71,000.

### **Net cash generated from financing activities**

For the year ended 31 March 2013, we had net cash used in financing activities of approximately HK\$18.2 million, which mainly represented dividend payment of HK\$20.0 million, repayment of bank borrowings of approximately HK\$6.7 million, repayment of finance lease of approximately HK\$4.7 million, partially offset by drawdown of bank borrowings of approximately HK\$11.3 million and inception of finance lease of approximately HK\$2.4 million in the year. During this financial year, our Group financed the continuous investment in fixed assets by internal resources and finance leases.

## **FINANCIAL INFORMATION**

For the year ended 31 March 2012, we had net cash generated from financing activities of approximately HK\$692,000, which mainly represented inception of finance lease of approximately HK\$8.3 million and drawdown of bank borrowings of approximately HK\$6.0 million, partially offset by repayment of finance lease of approximately HK\$4.6 million, repayment of bank borrowings of approximately HK\$6.4 million and dividend payment of HK\$2.0 million in the year. During this financial year, our Group financed the continuous investment in fixed assets by internal resources and finance leases.

For the year ended 31 March 2011, we had net cash used in financing activities of approximately HK\$2.2 million, which mainly represented the repayment of finance lease of approximately HK\$260,000, repayment of bank borrowings of approximately HK\$2.7 million and dividend payment of HK\$3.3 million, partially offset by the inception of finance lease of approximately HK\$2.4 million and drawdown of bank borrowings of approximately HK\$2.0 million in the year. During this financial year, our Group financed the continuous investment in fixed assets by internal resources and finance leases.

### **ANALYSIS OF VARIOUS ITEMS FROM THE STATEMENTS OF FINANCIAL POSITION**

#### **Property, plant and equipment**

Our Group's property, plant and equipment mostly consist of machinery. Our foundation works require the use of machinery, such as air compressor, drilling rigs, vibrator hammers and automatic grouting stations etc.. The carrying amount of our Group's machinery increased from approximately HK\$16.0 million as at 31 March 2011 to approximately HK\$20.3 million as at 31 March 2012 and further to approximately HK\$22.0 million as at 31 March 2013. Our Group invested continuously in machinery during the Track Record Period. For each of the three years ended 31 March 2011, 2012 and 2013, our Group acquired additional machines at the cost of approximately HK\$13.9 million, HK\$14.6 million and HK\$13.7 million respectively.

## FINANCIAL INFORMATION

### Trade and other receivables

Our Group's trade and other receivables mainly consist of contract receivables and retention receivables. Our customers are normally required to make payments within 30 days after our submission of interim invoice (usually on a monthly basis). The retention money is retained by our customers at a rate of 5% to 10% of each interim payment made to us and up to a maximum limit of 5% of the total subcontract sum in some cases. The section headed "Business — Operating procedures — Project implementation — Progress payment and retention money" in this prospectus set out further details. The following table sets out the breakdown of trade and other receivables as at each reporting date:

	<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>
Contract receivables	37,440	44,173	35,244
Retention receivables	<u>10,558</u>	<u>16,784</u>	<u>27,031</u>
<b>Total trade receivables</b>	<b>47,998</b>	<b>60,957</b>	<b>62,275</b>
Other receivables, deposits and prepayments	<u>510</u>	<u>438</u>	<u>1,470</u>
	<u><u>48,508</u></u>	<u><u>61,395</u></u>	<u><u>63,745</u></u>

The total trade receivables increased significantly from approximately HK\$48.0 million as at 31 March 2011 to approximately HK\$61.0 million as at 31 March 2012 and further to HK\$62.3 million as at 31 March 2013, mainly due to the growth of our revenue for the two years ended 31 March 2012 and 2013. As at 31 March 2012 and 2013, the retention receivables were related to 18 and 39 foundation projects respectively.

The following table sets forth the turnover days of the contract receivables (calculated as the average of beginning and ending total contract receivables for the year divided by revenue, excluding the 5% maximum retention, for the year, multiplied by the number of days in the year) for the years indicated:

	<b>For the year ended 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
Contract receivables turnover day	<u>58.6 days</u>	<u>62.8 days</u>	<u>42.8 days</u>

Our contract receivables turnover days increased slightly from approximately 58.6 days for the year ended 31 March 2011 to approximately 62.8 days for the year ended 31 March 2012 and decreased to approximately 42.8 days for the year ended 31 March 2013. The drop of our contract receivables turnover days over the two years ended 31 March 2012 and 2013 was due to our improved credit management.

All of the contract receivables as at 31 March 2013 were subsequently settled up to 31 July 2013, while approximately 18.3% of the retention receivables as at 31 March 2013 were subsequently settled up to 31 July 2013.

## FINANCIAL INFORMATION

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

	<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>
0–30 days	18,480	19,274	17,953
31–60 days	14,536	23,898	15,021
61–90 days	4,322	919	2,270
31–365 days	71	7	—
Over 365 days	31	75	—
	37,440	44,173	35,244

Retention receivables were not yet past due as at 31 March 2011, 2012 and 2013 and were/would be settled in accordance with the terms of respective subcontracts entered into between our Group and our customers.

Contract receivables of approximately HK\$18.5 million, HK\$19.3 million and HK\$18.0 million as at 31 March 2011, 2012 and 2013 were not yet past due and approximately HK\$19.0 million, HK\$24.9 million and HK\$17.3 million were past due but not impaired. These relate to contract receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

Our Directors determine specific provision for doubtful debts on a case-by-case basis. During the Track Record Period, we did not make any provision for doubtful debts and we did not experience any difficulty in settling our contract receivables which caused a significant adverse impact to our business operation. In the event that we notice any events or changes in circumstances which indicate the balances may not be collectible such as the customer has any financial or liquidity problem which may result in difficulty in settling the outstanding payment, relevant provision of impairment of contract receivables would be made.

Our other receivables, deposits and prepayments mainly represent trade-related prepayments and deposits and utility deposits. The balance of other receivables, deposits and prepayments was immaterial as at 31 March 2011, 2012 and 2013.

## FINANCIAL INFORMATION

### Trade and other payables

Trade payables principally comprise payables to (i) the suppliers of cement, diesel fuel and machinery spare parts; and (ii) the internally approved sub-subcontractors of our Group. Accruals mainly represent (i) accrued utilities and premises rental expenses; and (ii) accruals for staff salaries and allowances. The following table sets out a breakdown of our trade and other payables as at each reporting date:

	<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 payables	21,733	18,159	17,955
Accruals	<u>8,412</u>	<u>8,115</u>	<u>10,132</u>
	<u><u>30,145</u></u>	<u><u>26,274</u></u>	<u><u>28,087</u></u>

Trade payables decreased from approximately HK\$21.7 million as at 31 March 2011 to approximately HK\$18.2 million as at 31 March 2012 because our procurement of construction materials during the year ended 31 March 2011 was mainly incurred in the fourth quarter which accounted for approximately 32.2% of the total purchase amount of construction materials for the whole financial year while our procurement of construction materials during the fourth quarter of the year ended 31 March 2012 only accounted for approximately 19.4% of the total annual purchase amount of construction materials.

Trade payables decreased slightly from approximately HK\$18.2 million as at 31 March 2012 to approximately HK\$18.0 million as at 31 March 2013 mainly because we settled our trade payables within a comparatively shorter period of time during the year ended 31 March 2013. This was because our major suppliers improved their credit management and their invoices were issued in a timely manner. In addition, our sub-subcontracting charges for the year ended 31 March 2013 included the costs of construction materials purchased by our sub-subcontractors (which was one of the reasons for the significant increase of approximately 209.0% in our sub-subcontractors charges while our construction materials costs only increased by approximately 3.7% on a year-on-year basis) and the monthly payment requests, which were submitted on time, from such sub-subcontractors were generally settled by us within 30 days.

The following table sets out the turnover day of trade payables (calculated as the average of beginning and ending trade payables balances for the year, divided by cost of sales (excluding staff costs and depreciation expenses) for the year, multiplied by the number of days in the year) for the year indicated:

	<b>For the year ended 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
Trade payable turnover day	<u>57.6 days</u>	<u>55.1 days</u>	<u>36.4 days</u>

## FINANCIAL INFORMATION

Our trade payable turnover days remained stable at around 55 to 58 days over the two years ended 31 March 2011 and 2012, and dropped to approximately 36.4 days for the year ended 31 March 2013. Our trade payable turnover days for the two years ended 31 March 2011 and 2012 exceeds the normal credit period of 30 to 45 days from the invoice date of the relevant purchases granted by our suppliers. This was because we recognised trade payables at the time the construction materials delivered or the services rendered but the relevant invoices were usually issued by our suppliers at the end of the month in which the relevant purchases occurred or sometimes in the next month. The decrease in our trade turnover days for the year ended 31 March 2013 was because we settled our trade payables within a comparatively shorter period of time during the year ended 31 March 2013 due to our suppliers' improved credit management. Furthermore, we normally pay our sub-subcontractors on a monthly basis with reference to the value of the works done by our sub-subcontractors. For the year ended 31 March 2013, the sub-subcontracting charges included the costs of construction materials purchased by our sub-subcontractors and the monthly payment requests, which were submitted on time, from such sub-subcontractors were generally settled by us within 30 days.

The following table illustrates the aging analysis of the trade payables based on invoice date as at the end of each of the reporting dates:

	<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>
0–30 days	15,139	10,432	11,979
31–60 days	<u>6,594</u>	<u>7,727</u>	<u>5,976</u>
	<u><u>21,733</u></u>	<u><u>18,159</u></u>	<u><u>17,955</u></u>

All of the trade payables as at 31 March 2013 were subsequently settled up to 31 July 2013.

Accruals remained stable at around HK\$8.4 million as at 31 March 2011 and 2012. Accruals increased to approximately HK\$10.1 million as at 31 March 2013 mainly due to the accrued Directors' bonus.

### **Borrowings**

	<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>
<b>Non-current</b>			
Finance lease liabilities	<u>543</u>	<u>1,106</u>	<u>1,202</u>
<b>Current</b>			
Bank loans	9,145	8,783	13,349
Finance lease liabilities	<u>1,591</u>	<u>4,725</u>	<u>2,270</u>
<b>Total borrowings</b>	<u><u>11,279</u></u>	<u><u>14,614</u></u>	<u><u>16,821</u></u>

## FINANCIAL INFORMATION

During the Track Record Period, our Group acquired certain machines by way of finance leases, under which our Group purchased certain machines from suppliers, sold them to bankers (the lessors) and the bankers leased back those machines to our Group at stipulated monthly rents in a fixed term. Under these finance leases, we were given options to purchase these machines at a nominal amount at the end of the lease term. The lease liabilities, with interest rates at 1.75% to 2.0% below the current prime rate per annum during the Track Record Period, were secured as the rights to the leased machines revert to the lessors in the event of default. Total lease liabilities increased from approximately HK\$2.1 million as at 31 March 2011 to approximately HK\$5.8 million as at 31 March 2012 mainly due to our Group's further investment in machinery. Total lease liabilities decreased from approximately HK\$5.8 million as at 31 March 2012 to approximately HK\$3.5 million as at 31 March 2013 mainly because our Group used more internal resources to finance the investment in machinery. Our total finance lease liabilities of approximately 3.5 million as at 31 March 2013 were secured by the personal guarantee provided by our executive Directors (Mr. SC Wong and Mr. Lam) and Mrs. Lam. Such personal guarantee will be replaced by our Group's corporate guarantee upon Listing.

Our Group's bankers provided us with short term financing in the form of bank loans during the Track Record Period with interest rates at 0.25% to 1.75% below the current prime rate per annum. Our bank loans of approximately HK\$9.1 million, HK\$8.8 million and HK\$13.3 million as at 31 March 2011, 2012 and 2013 respectively were repayable within five years. As at 31 March 2013, approximately HK\$1.5 million of our bank loans are granted under the Special Loan Guarantee Scheme and such balance will be fully settled upon Listing. Our total bank loans of approximately HK\$13.3 million (inclusive of the bank loans of approximately HK\$1.5 million guaranteed by the Hong Kong government under the Special Loan Guarantee Scheme) as at 31 March 2013 were secured by the personal guarantee provided by our executive Directors (Mr. SC Wong and Mr. Lam) and Mrs. Lam. Such personal guarantee will be replaced by our Group's corporate guarantee upon Listing.

## FINANCIAL INFORMATION

### NET CURRENT ASSETS

The following table sets forth the breakdown of our Group's current assets and liabilities as at 31 March 2011, 2012 and 2013 and 31 July 2013:

	As at 31 March			As at
	2011	2012	2013	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current assets</b>				
Trade and other receivables	48,508	61,395	63,745	101,658
Tax recoverable	249	—	—	—
Cash and cash equivalents	<u>4,400</u>	<u>22,590</u>	<u>67,210</u>	<u>52,567</u>
	53,157	83,985	130,955	154,225
<b>Current liabilities</b>				
Trade and other payables	30,145	26,274	28,087	43,220
Borrowings	10,736	13,508	15,619	22,383
Tax payable	<u>—</u>	<u>5,401</u>	<u>7,171</u>	<u>11,512</u>
	<u>40,881</u>	<u>45,183</u>	<u>50,877</u>	<u>77,115</u>
<b>Net current assets</b>	<u><u>12,276</u></u>	<u><u>38,802</u></u>	<u><u>80,078</u></u>	<u><u>77,110</u></u>

As at 31 July 2013, we had net current assets of approximately HK\$77.1 million. The key components of our current assets as at 31 July 2013 included trade and other receivables of approximately HK\$101.7 million and cash and cash equivalents of approximately HK\$52.5 million. The key components of our current liabilities included trade and other payables of approximately HK\$43.2 million, borrowings (including bank loans and finance lease liabilities) of approximately HK\$22.4 million and tax payable of approximately HK\$11.5 million.

Our net current assets increased by approximately 106.4% from HK\$38.8 million as at 31 March 2012 to HK\$80.1 million as at 31 March 2013 primarily due to the increase in cash and cash equivalents of approximately HK\$44.6 million as a result of the increased net cash generated from our operating activities.

Our net current assets increased by approximately 2.2 times from HK\$12.3 million as at 31 March 2011 to HK\$38.8 million as at 31 March 2012 primarily due to (i) the increase in trade and other receivables of approximately HK\$12.9 million; and (ii) the increase in cash and cash equivalents of approximately HK\$18.2 million. Such increases were partially offset by the tax payable of approximately HK\$5.4 million.



## FINANCIAL INFORMATION

### INDEBTEDNESS AND CONTINGENT LIABILITIES

At the close of business on 31 July 2013, being the latest practicable date on which such information was available to us, our Group had outstanding bank loans of approximately HK\$37.1 million and finance lease liabilities of approximately HK\$7.5 million. Approximately HK\$8.8 million of these borrowings were secured by personal guarantee provided by our executive Directors (Mr. SC Wong and Mr. Lam) and Mrs. Lam. The remaining approximately HK\$35.8 million of these borrowings were secured by personal guarantee provided by our executive Directors. Such personal guarantees will be released and replaced by a corporate guarantee up to HK\$44.6 million provided by the Company upon Listing.

As at 31 July 2013, our Group had a totally un-utilised short-term bank facility of HK\$14.2 million secured by personal guarantee up to HK\$4.2 million provided by our executive Directors (Mr. SC Wong and Mr. Lam) and Mrs. Lam. Such personal guarantee will be released and replaced by a corporate guarantee up to HK\$4.2 million provided by the Company upon Listing.

As at 31 March 2013 and 31 July 2013, our Group had no significant contingent liabilities.

Save as disclosed above, we did not have, at the close of business on 31 July 2013, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors confirmed that (i) there has not been any material change in our indebtedness and contingent liabilities since 31 July 2013 and up to the Latest Practicable Date; (ii) the bank loans, finance lease and bank facility is subject to the standard banking conditions; and (iii) our Group has not received any notice from the bank indicating that it might withdraw or downsize the bank loans and bank facility.

### WORKING CAPITAL

Our Directors confirm that, taking into consideration the financial resources presently available to us, including bank borrowings and other internal resources, and the estimated net proceeds of the Share Offer, we have sufficient working capital for our present requirements for at least the next 12 months commencing on the date of this prospectus.

## FINANCIAL INFORMATION

### CONTRACTUAL AND CAPITAL COMMITMENTS

At the close of business on 31 March 2013, our Group had capital commitment contracted but not provided for in respect of the acquisition of motor vehicle of approximately HK\$300,000.

#### Total future minimum leases payments payable under non-cancellable operating leases

	<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 later than one year	269	436	917
One to five years	<u>—</u>	<u>519</u>	<u>435</u>
	<u><u>269</u></u>	<u><u>955</u></u>	<u><u>1,352</u></u>

Our Group is the lessee in respect of five properties, which are occupied by us as our offices and workshops in Hong Kong, under non-cancellable operating leases.

### CAPITAL EXPENDITURES

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

	<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>
Machinery	13,862	14,585	13,651
Furniture and fixtures	3	—	36
Office equipment	83	49	99
Motor vehicles	<u>297</u>	<u>—</u>	<u>628</u>
	<u><u>14,245</u></u>	<u><u>14,634</u></u>	<u><u>14,414</u></u>

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

## **FINANCIAL INFORMATION**

### **CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT**

#### **Capital management**

Our Group actively and regularly reviews and manages our capital structure in order 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. Our Group monitors our capital structure on the basis of the gearing ratio.

#### **Financial risk management**

Our Group is exposed to interest rate risk, credit risk and liquidity risk in the normal course of business. Further details on our financial risk management policies and practices are set out in note 3 to the financial information in the Accountants' Report.

### **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

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

### **DIVIDEND POLICY**

For each of the three preceding financial years ended 31 March 2013, members of our Group declared dividends of HK\$3.3 million, HK\$2.0 million and HK\$20.0 million, representing approximately 77.0%, 6.3% and 32.0% of the respective period's net profit attributable to shareholders. In May 2013, a member of our Group declared and paid interim dividends of HK\$40 million from its working capital to shareholders. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payments.

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

### **DISTRIBUTABLE RESERVES**

As at 31 March 2013, we had distributable reserves in the amount of approximately HK\$86.0 million available for distribution to our Shareholders.

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Share Offer as if it had been taken place on 31 March 2013 and based on the audited combined net tangible assets attributable to owners of our Company as of 31 March 2013 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

The unaudited pro forma adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group after the completion of the Share Offer.

	<b>Audited combined net tangible assets of our Group attributable to owners of the Company as at 31 March 2013 HK\$'000 (Note 1)</b>	<b>Add: Estimated net proceeds from the Share Offer HK\$'000 (Note 2)</b>	<b>Unaudited pro forma adjusted net tangible assets HK\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets per Share HK\$ (Note 3)</b>
Based on the Offer Price of HK\$0.83 per Share	95,976	66,859	162,835	0.41
Based on the Offer Price of HK\$1.09 per Share	95,976	92,859	188,835	0.47

*Notes:*

1. The audited combined net tangible assets of our Group attributable to owners of our Company as at 31 March 2013 were extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on the minimum and maximum Offer Price of HK\$0.83 and HK\$1.09 per Share respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses but without taking into account any Shares which may fall to be issued exercise of the Offer Size Adjustment Option.
3. The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in Notes 1 and 2 above and on the basis that 400,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" in this prospectus, but takes no account of any Shares which may fall to be allotted and issued upon exercise of the Offer Size Adjustment Option.
4. The unaudited pro forma financial information presented above does not take account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 31 March 2013). In particular, in May 2013, an interim dividend of HK\$40,000,000 was appropriated to its then shareholders of Ngai Shun (which is now an indirect wholly-owned subsidiary of the Company). The unaudited pro forma adjusted net tangible assets had not taken into account of the above transaction.

## FINANCIAL INFORMATION

### DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that as at the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### NO MATERIAL ADVERSE CHANGE

Save for (i) the professional fees of approximately HK\$7.3 million estimated to be incurred in connection with the Listing; and (ii) the interim dividends of HK\$40 million declared and paid in May 2013 by a member of our Group, which will be recorded in our combined financial statements for the year ending 31 March 2014, our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position of our Group since 31 March 2013, being the end of the period reported on in the Accountants' Report.

### OTHER KEY FINANCIAL RATIOS

	As at/For the year ended 31 March		
	2011	2012	2013
Current ratio <sup>1</sup>	1.30 times	1.86 times	2.57 times
Gearing ratio <sup>2</sup>	47.0%	27.3%	17.5%
Debt to equity ratio <sup>3</sup>	28.7%	N/A	N/A
Interest coverage <sup>4</sup>	15.84 times	59.82 times	173.5 times
Return on assets <sup>5</sup>	6.1%	30.2%	40.6%
Return on equity <sup>6</sup>	17.9%	59.0%	65.0%
Net profit margin <sup>7</sup>	2.1%	12.7%	17.5%

*Notes:*

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year end.
2. Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective year end and multiplied by 100%.
3. Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the respective year end and multiplied by 100%.
4. Interest coverage is calculated by the profit before interest and tax divided by the interest for the respective year.
5. Return on assets is calculated by the total comprehensive income for the year divided by the total assets as at the respective year end and multiplied by 100.0%.
6. Return on equity is calculated by the total comprehensive income for the year divided by the total equity as at the respective year end and multiplied by 100.0%.
7. Net profit margin is calculated by the total comprehensive income divided by the revenue for the respective year and multiplied by 100.0%.

## FINANCIAL INFORMATION

### **Current ratio**

Our current ratio was approximately 1.30 times, 1.86 times and 2.57 times as at 31 March 2011, 2012 and 2013 respectively. Our current ratio increased over the Track Record Period mainly due to the fact that our current liabilities, mainly represents trade payables and borrowings, did not increase as much as our current assets growth in terms of amount and percentage. The increase in our current assets was caused by the increase in trade receivables and the increase in cash and cash equivalents as a result of our revenue growth and the increase in net cash generated from our operating activities. Further details on our revenue growth and operating cash flows are set out in the sections headed “Financial information — Period-to-period comparison of results of operations” and “Financial information — Liquidity and capital resources” respectively in this prospectus.

### **Gearing ratio**

Our gearing ratio was approximately 47.0%, 27.3% and 17.5% as at 31 March 2011, 2012 and 2013 respectively. Our gearing ratio decreased over the Track Record Period mainly because our borrowings (including bank loans and finance lease liabilities) did not increase as much as our equity growth in terms of amount and percentage. The increase in our equity was mainly due to the increase in retained earnings as a result of our net profit growth over the Track Record Period. Further details on our borrowings and financial performance are set out in the sections headed “Financial information — Analysis of various items from the statements of financial position — Borrowings” and “Financial information — Period-to-period comparison of results of operations” respectively in this prospectus.

### **Debt to equity ratio**

Our debt to equity ratio was 28.7% as at 31 March 2011 but it was not applicable as at 31 March 2012 and 2013 because the balances of cash and cash equivalents were greater than our total borrowings. The increase in cash and cash equivalents over the Track Record Period was due to the increase in net cash generated from our operating activities as a result of our revenue growth. Further details on our operating cash flows are set out in the section headed “Financial information — Liquidity and capital resources” in this prospectus.

### **Interest coverage**

Our interest coverage was approximately 15.8 times, 59.8 times and 173.5 times as at 31 March 2011, 2012 and 2013 respectively. Our interest coverage increased over the Track Record Period mainly because our operating profit increased significantly as a result of our revenue growth and our finance costs decreased for the year ended 31 March 2013. Further details on our financial performance are set out in the section headed “Financial information — Period-to-period comparison of results of operations” in this prospectus.

## FINANCIAL INFORMATION

### **Return on assets**

Our return on assets was approximately 6.1%, 30.2% and 40.6% as at 31 March 2011, 2012 and 2013 respectively. Our return on assets increased over the Track Record Period mainly because (i) our profit increased significantly as a result of our revenue growth and the increase in our gross profit margin as well as our operating profit margin; and (ii) our total assets increased less than our profit growth in terms of percentage. Further details on our financial performance are set out in the section headed “Financial information — Period-to-period comparison of results of operations” in this prospectus.

### **Return on equity**

Our return on equity was approximately 17.9%, 59.0% and 65.0% as at 31 March 2011, 2012 and 2013 respectively. Our return on equity increased over the Track Record Period mainly because our profit increased significantly as a result of our revenue growth and the increase in our gross profit margin as well as our operating profit margin. Further details on our financial performance are set out in the section headed “Financial information — Period-to-period comparison of results of operations” in this prospectus.

### **Net profit margin**

Our net profit margin was approximately 2.1%, 12.7% and 17.5% as at 31 March 2011, 2012 and 2013 respectively. Our net profit margin increased over the Track Record Period mainly because of (i) the increase in our gross profit margin and operating profit margin; and (ii) the increase in our administrative expenses was less than the growth of our gross profit in terms of percentage. Further details on our financial performance are set out in the section headed “Financial information — Period-to-period comparison of results of operations” in the prospectus.

## FUTURE PLANS AND USE OF PROCEEDS

### FUTURE PLANS

The section headed “Business — Business strategies and prospects” in this prospectus sets out a detailed description of our future plans.

### USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and assuming that the Offer Size Adjustment Option is not exercised at all and an Offer Price of HK\$0.96, being the mid-point of the Offer Price range, will be approximately HK\$79.9 million. Our Directors presently intend to apply such net proceeds as follows:

- approximately HK\$51.9 million or approximately 65% of the net proceeds for the acquisition of additional overseas manufactured machinery and equipment including air compressors, drilling rigs, vibrator hammers, automatic grouting stations and other related accessory equipment for foundation works in the next five to six years to increase our capacity to cope with our expected business growth;
- approximately HK\$12.0 million or approximately 15% of the net proceeds for the hiring of additional staff, including two project managers, two foremen, five machinery operators and ten technical personnel to be hired by the year ending 31 March 2017 to increase our capacity, and out of which approximately HK\$1.0 million will be used for providing staff training in safety and environmental protection;
- approximately HK\$8.0 million or approximately 10% of the net proceeds will be used to partially repay our bank loan incurred in May 2013 for the planned acquisition of machinery, which will mature in three years from the date of occurrence with interest rate at 1.25% below the current prime rate per annum and an aggregate outstanding amount of around HK\$26.8 million as at the Latest Practicable Date; and
- approximately HK\$8.0 million or approximately 10% of the net proceeds will be used as general working capital of our Group.

In the event that the Offer Price is set at the high-end of the proposed Offer Price range, our Company will receive additional net proceeds of the Share Offer of approximately HK\$13 million when compared to the net proceeds receivable by our Company with the Offer Price being determined at the mid-point of the range as stated in this prospectus, which will be used in the same proportions as set out above.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds of the Share Offer will decrease by approximately HK\$13 million when compared to the net proceeds receivable by our Company with the Offer Price being determined at the mid-point of the range as stated in this prospectus. Under such circumstances, our Company intends to reduce its allocation of the net proceeds to the above purposes on a pro-rata basis.



## **FUTURE PLANS AND USE OF PROCEEDS**

If the Offer Size Adjustment Option is exercised in full, our Company will raise additional estimated net proceeds of approximately HK\$14.4 million, assuming the Offer Price is HK\$0.96, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end of the indicative Offer Price range, the additional estimated net proceeds upon full exercise of the Offer Size Adjustment Option will increase by approximately HK\$2.0 million. If the Offer Price is set at the low-end of the indicative Offer Price range, the additional estimated net proceeds upon full exercise of the Offer Size Adjustment Option will decrease by approximately HK\$2.0 million. Our Directors intend to apply the additional net proceeds from the exercise of the Offer Size Adjustment Option as in the same proportions as set out above.

To the extent that the net proceeds of the Share Offer are not immediately applied for the above purposes, it is the present intention of our Directors that such net proceeds will be placed on short-term deposits with financial institutions in Hong Kong.

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

# UNDERWRITING

## UNDERWRITERS

### Placing Underwriter

VC Brokerage Limited  
28th Floor, The Centrium  
60 Wyndham Street  
Central  
Hong Kong

### Public Offer Underwriters

VC Brokerage Limited  
28th Floor, The Centrium  
60 Wyndham Street  
Central  
Hong Kong

Ample Orient Capital Limited  
Unit A, 14/F  
Two Chinachem Plaza  
135 Des Voeux Road Central  
Hong Kong

Astrum Capital Management Limited  
11/F, 122 QRC  
Nos. 122–126 Queen's Road Central  
Central  
Hong Kong

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### Public Offer

#### *Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription of 10,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed, severally, but not jointly, on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, but without limitation, the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

## UNDERWRITING

### *Grounds for termination*

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Lead Manager (for itself and on behalf of other Public Offer Underwriters) may in its absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to the Company at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date (the “Termination Time”) if:

- (i) there shall develop, occur, exist or come into effect:
  - (a) any change or prospective change (whether or not permanent) in the business or in the business or in the financial or trading position of our Group; or
  - (b) any change or development involving a prospective change or development, or any event or series of event resulting or representing or likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “Relevant Jurisdictions”); or
  - (c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
  - (d) any new laws or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
  - (e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
  - (f) 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 crisis involving or affecting any of the Relevant Jurisdictions; or
  - (g) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, the Controlling Shareholders and the executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or

## UNDERWRITING

- (h) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (i) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or
- (j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (k) any change or development involving a prospective change, or a materialization of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (l) any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar or a material devaluation of Hong Kong dollar against any foreign currency; or
- (m) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (n) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (o) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer; or
- (p) non-compliance of any of this prospectus or any aspect of the Share Offer with the Listing Rules or any other applicable laws; or
- (q) an order or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or
- (r) any loss or damage sustained by any member of our Group; or
- (s) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or

## UNDERWRITING

- (t) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company; or
- (u) the chairman or president of our Company vacating his office; or
- (v) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organization that it intends to take any such action; or
- (w) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof;

which in the sole and absolute opinion of the Lead Manager:

- (a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of our Group taken as a whole; or
  - (b) has or will or may have a material adverse effect on the success of the Public Offer, the Placing and/or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
  - (c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer, the Placing and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Public Offer, the Placing and/or the Share Offer on the terms and in the manner contemplated in this prospectus; or
- (ii) any of the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:
- (a) any of the warranties given by our Company, the Controlling Shareholders and the executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Lead Manager (in its sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;
  - (b) any statement contained in this prospectus or the Application Forms was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus were to be issued at that time, constitute a material omission therefrom as determined by the Sponsor (in its sole and absolute discretion), or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus and/or any announcements issued by our Company in connection with the

## UNDERWRITING

Public Offer (including any supplemental or amendment thereto) are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or

- (c) there has been a material breach on the part of any of our Company, the Controlling Shareholders and the executive Director of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement as determined by the Lead Manager (in its sole and absolute discretion).

### *Lock-up undertakings to the Public Offer*

#### *Underwriters Undertakings by our Company*

Our Company has undertaken to the Sponsor and the Lead Manager (as the bookrunner, lead manager and Public Offer Underwriters) and the other Public Offer Underwriters that our Company shall, and each of the Controlling Shareholders have undertaken to the Sponsor and the Lead Manager (as the bookrunner, lead manager and Public Offer Underwriters) and the other Public Offer Underwriters to procure our Company that:

- (a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the subscription rights attaching to the Offer Size Adjustment Option or share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Sponsor and the Lead Manager (for itself and on behalf of the Public Offer Underwriters), and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates (as defined in the Public Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “First Six-month Period”);
- (b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue

## UNDERWRITING

or the exercise of the subscription rights attaching to the Offer Size Adjustment Option or share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note (2) to Rule 10.07 of the Listing Rules;

- (c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the “Second Six-month Period”) do any of the acts set out in (a) and (b) above such that any of the Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules);
- (d) in the event that our Company does any of the acts set out in clause (a) or (b) after the expiry of the First Six-month Period or the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Provided that none of the above undertakings shall (a) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such Subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that Subsidiary ceasing to be a subsidiary of our Company.

### ***Undertakings by our Controlling Shareholders***

Each of our Controlling Shareholders has represented, warranted and undertaken to the Sponsor and the Lead Manager (as the bookrunner, lead manager and Public Offer Underwriters), the other Public Offer Underwriters and our Company that:

- (a) he or it shall not, without the prior written consent of the Sponsor and the Lead Manager (for itself and on behalf of the Public Offer Underwriters), directly or indirectly, and shall procure that none of his or its associates (as defined in the Listing Rules) or companies controlled by him or it or any nominee or trustee holding in trust for him or it shall, during the First Six-month Period, offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or
- (b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities, at any time during the First Six-month Period, save as provided under notes (2) to

## UNDERWRITING

Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the Second Six-month period, (1) such disposal shall not result in any of the Controlling Shareholders ceasing to be the controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Six-month Period; and (2) he or it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Without prejudice to the Controlling Shareholders' undertaking above, each of the Controlling Shareholders undertakes to the Sponsor and the Lead Manager (as the bookrunner, lead manager and Public Offer Underwriters), the other Public Offer Underwriters and our Company that within the First Six-month Period and the Second Six-month Period he or it shall:

- (a) if and when he or it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company, the Sponsor and the Lead Manager in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities in our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company, the Sponsor and the Lead Manager in writing of such indications.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

### ***Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules***

#### *Undertakings by our Controlling Shareholders*

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer and the Offer Size Adjustment Option or as provided under note (2) to Rule 10.07(2) of the Listing Rules, it or he shall not, and shall procure that the relevant registered holder(s) shall not, (i) at any time during the period commencing from the date of this prospectus in which disclosure of his/its shareholding in our Company is made and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares in respect of which it or he is shown by this prospectus to be the beneficial owner; and (ii) at any time during the period of six months from the date on which the period referred to in (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be our Controlling Shareholder.



## UNDERWRITING

Our Controlling Shareholders have further undertaken to us and the Stock Exchange that it or he will, within a period of commencing from the date of this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

- (a) any pledges or charges of any shares or securities of our Company beneficially owned by any of our Controlling Shareholders, whether directly or indirectly, in favor of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, and the number of such shares or securities of our Company so pledged or charged; and
- (b) any indication received by it/him, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

### *Undertaking by our Company*

Pursuant to Rule 10.08 of the Listing Rules, our Company have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer (including the exercise of the Offer Size Adjustment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the grant of options and the issue of Shares pursuant to the Share Option Scheme.

### **Placing**

#### *Placing Underwriting Agreement*

In connection with the Placing, it is expected that our Company and the Controlling Shareholders will enter into the Placing Underwriting Agreement with the Sponsor, the Lead Manager and the Placing Underwriter on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriter is expected to severally, but not jointly, agree to procure subscribers and purchasers to subscribe for or purchase, or failing which it shall subscribe for or purchase, the 90,000,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Lock-up undertakings to the Public Offer Underwriters” above in this section.

## UNDERWRITING

Our Company is expected to grant to the Placing Underwriter the Offer Size Adjustment Option exercisable by the Lead Manager, on behalf of the Placing Underwriter, at any time before 5:00 p.m. on the business day before the date of announcement of the results of application and the basis of the Public Offer Shares or otherwise it will lapse, to require our Company to allot and issue up to an aggregate of 15,000,000 additional Shares, representing 15% of the Offer Shares, at the Offer Price per Offer Share under Placing, solely to cover over allocations, if any, in the Placing.

### **Commission and expenses**

The Underwriters will receive an underwriting commission of 3% of the aggregate Offer Price payable for the Offer Shares in accordance with the terms of the Underwriting Agreements, out of which the Underwriters may pay any sub-underwriting commission in connection with the Share Offer. Based on the Offer Price of HK\$0.96 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission and fees payable to the Underwriters, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$16.1 million in total (assuming the Offer Size Adjustment Option is not exercised). We will also pay for all expenses in connection with any exercise of the Offer Size Adjustment Option.

### **SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY**

The Sponsor will receive a documentation fee. The Lead Manager and the other Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission and expenses" above.

We will appoint, before the Listing Date, Ample Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the year ending 31 March 2014.

Save as disclosed above, none of the Sponsor and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group or has any interest in the Share Offer.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

### **MINIMUM PUBLIC FLOAT**

Our Directors and the Lead Manager will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Lead Manager (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or before 8:00 p.m. on Monday, 7 October 2013.

**Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus.** The Offer Price will not be more than HK\$1.09 per Offer Share and is expected to be not less than HK\$0.83 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, not later than the morning of the last day for lodging applications under the Public Offer.

The Lead Manager (for itself and on behalf of the Underwriters) may, where they consider appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the number of the 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 a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day lodging applications under the Public Offer, cause there to be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.ngaishun.com.hk](http://www.ngaishun.com.hk) notices of reduction in the number of the Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised number of the Offer Shares and/or Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer 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 such reduction. In the absence of any notice being published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.ngaishun.com.hk](http://www.ngaishun.com.hk) of a reduction in the number of the Offer Shares and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Lead Manager (for itself and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

**If, for any reason, the Offer Price is not agreed between us and the Lead Manager (for itself and on behalf of the Underwriters) on or before 5:00 p.m. on Tuesday, 8 October 2013, the Share Offer will not proceed and will lapse.**

Announcement of the final Offer Price, together with the level of indication of interests in the Placing and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on Tuesday, 15 October 2013.

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

### **PRICE PAYABLE ON APPLICATION**

The Offer Price will not be more than HK\$1.09 per Offer Share and is expected to be not less than HK\$0.83 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$1.09 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy, amounting to a total of HK\$4,403.95 per board lot of 4,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$1.09 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

Further details are set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

### **CONDITIONS OF THE SHARE OFFER**

Acceptance of all applications for the Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

#### **1. Listing**

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer and Shares which fall to be allotted and issued upon the exercise of the Offer Size Adjustment Option and upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

#### **2. Underwriting Agreements**

The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

#### **3. Price determination**

The Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the section headed “How to Apply for Public Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 100,000,000 Offer Shares (subject to Offer Size Adjustment Option) will be made available under the Share Offer, of which 90,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the Placing. The remaining 10,000,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have severally agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriter will underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for Offers Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

#### **The Placing**

Our Company is expected to offer initially 90,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriter subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the Placing Underwriter or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy with selected professional, institutional and private investors. Professional and institutional 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. Private investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

Our Company, our Directors, the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Placing is expected to be subject to the conditions as stated in the paragraph headed “Conditions of the Share Offer” of this section.

### **The Public Offer**

Our Company is initially offering 10,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$1.09 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investor. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is liable to be rejected.

The total number of the Offer Shares available under the Public Offer is to be divided into two pools of 5,000,000 Public Offer Shares for each of pool A and pool B, respectively, for allocation purposes:

- Pool A: The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) or less; and
- Pool B: The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly.

Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Multiple applications or suspected multiple applications and any application made for more than 50% of the 10,000,000 Shares initially comprised in the Public Offer (i.e. 5,000,000 Public Offer Shares) are liable to be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

### **BASIS OF ALLOCATION OF THE OFFER SHARES**

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 30,000,000 Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 40,000,000 Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and
- (c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 50,000,000 Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Lead Manager.

### **OFFER SIZE ADJUSTMENT OPTION**

Our Company has granted the Offer Size Adjustment Option, exercisable by the Lead Manager on behalf of the Placing Underwriter at any time before 5:00 p.m. on the business day immediately before the date of the announcement of the results of allocations and the basis of allocation of the Public Offer Shares, to require our Company to allot and issue up to an aggregate of 15,000,000 additional Shares, representing 15% of the number of the Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer. The Offer Size Adjustment Option will not be used for price stabilisation purposes in the secondary market after listing of the Shares on the Stock Exchange and is not subject to the Securities and Future (Price Stabilizing) Rules of the SFO. Any such additional Shares may be issued to cover any excess demand in the Placing and in the event that the Offer Size Adjustment Option is exercised, the Lead Manager in their absolute discretion may decide to whom and proportions in which the additional Shares will be allotted. If the Offer Size Adjustment Option is



## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

exercised in full, the additional 15,000,000 Shares and the Offer Shares will represent approximately 3.6% and 27.7% respectively of our Company's enlarged share capital immediately after completion of the Share Offer and the exercise of the Offer Size Adjustment Option.

Our Company will disclose in the announcement of the results of allocations and the basis of allocation of the Public Offer Shares whether, and to what extent, the Offer Size Adjustment Option has been exercised. In the event that the Offer Size Adjustment Option has not been exercised by the Lead Manager, our Company will confirm in such announcement that the Offer Size Adjustment Option has lapsed and cannot be exercised at any future date.



## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Lead Manager, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Lead Manager may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.hkeipo.hk](http://www.hkeipo.hk).

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 September 2013 to 12:00 noon on Friday, 4 October 2013 from any of the branches of The Bank of East Asia, Limited:

District	Branch	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central, HK
	399 Hennessy Road Branch	G/F, Eastern Commercial Centre, 399 Hennessy Road, Wanchai
Kowloon	Prince Edward Branch	G/F, Hanley House, 776–778 Nathan Road
	Tsim Sha Tsui Branch	Shop A & B, Milton Mansion, 96 Nathan Road
New Territories	Tai Wai Branch	16–18 Tai Wai Road, Cheung Fung Mansion, Shatin
	Ha Kwai Chung Branch	202 Hing Fong Road

## HOW TO APPLY FOR PUBLIC OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 September 2013 until 12:00 noon on Friday, 4 October 2013 from the Depository Counter of HKSCC at 2/F., Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited — Ngai Shun Public Offer"; for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

<b>Monday, 30 September 2013</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Wednesday, 2 October 2013</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Thursday, 3 October 2013</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Friday, 4 October 2013</b>	—	<b>9:00 a.m. to 12:00 noon</b>

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 4 October 2013, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person of whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Lead Manager (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, the Companies Ordinance and the Memorandum and Articles of Association of the Company;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- (vi) agree that none of the Company, the Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving bank, the Lead Manager, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Lead Manager and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xvii) understand that the Company and the Lead Manager will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
- (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and
  - (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

### **Additional Instructions for Yellow Application Form**

You may refer to the **Yellow** Application Form for details.

## **5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE**

### **General**

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

### **Time for Submitting Applications under the HK eIPO White Form**

You may submit your application to the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 30 September 2013 until 11:30 a.m. on Friday, 4 October 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 4 October 2013 or such later time under the “Effects of Bad Weather on the Opening of the Applications Lists” in this section.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for 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** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

### Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant 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 (as applied by Section 342E of the Companies Ordinance).

## 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

### General

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Center  
2/F, Infinitus Plaza  
199 Des Voeux Road Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Lead Manager and our Hong Kong Share Registrar.

### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
  - declare that only one set of electronic application instructions has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that the Company, the Directors and the Lead Manager will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving bank, the Lead Manager, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this 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 that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each



## HOW TO APPLY FOR PUBLIC OFFER SHARES

of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Law, the Companies Ordinance and the Memorandum and Articles of Association of the Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

<b>Monday, 30 September 2013</b>	—	<b>9:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Wednesday, 2 October 2013</b>	—	<b>8:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Thursday, 3 October 2013</b>	—	<b>8:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Friday, 4 October 2013</b>	—	<b>8:00 a.m.<sup>(1)</sup> to 12:00 noon</b>

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, 30 September 2013 until 12:00 noon on Friday, 4 October 2013 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 4 October 2013, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

### **No Multiple Applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies Ordinance**

For the avoidance of doubt, the 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 (as applied by Section 342E of the Companies Ordinance).

### **Personal Data**

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banker, the Lead Manager, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## **7. WARNING FOR ELECTRONIC APPLICATIONS**

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Bookrunners, the Sponsors, the Lead Manager and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 4 October 2013.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer — Determining the Offer Price”.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 4 October 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 Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 4 October 2013 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 15 October 2013 in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and on the Company’s website at [www.ngaishun.com.hk](http://www.ngaishun.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at [www.ngaishun.com.hk](http://www.ngaishun.com.hk) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Tuesday, 15 October 2013;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 15 October 2013 to midnight on Monday, 21 October 2013;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 15 October 2013 to Friday, 18 October 2013 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 15 October 2013 to Thursday, 17 October 2013 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Lead Manager, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Lead Manager believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.09 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 15 October 2013.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, 15 October 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

## HOW TO APPLY FOR PUBLIC OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Wednesday, 16 October 2013 provided that the Share Offer has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 15 October 2013 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 15 October 2013, by ordinary post and at your own risk.

#### ***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 15 October 2013, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Tuesday, 15 October 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.



## HOW TO APPLY FOR PUBLIC OFFER SHARES

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 15 October 2013 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### ***(iii) If you apply through the HK eIPO White Form service***

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Hong Kong Share Registrar at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 15 October 2013, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto refund payment instructions/refund cheques.

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 by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 15 October 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

### ***(iv) If you apply via Electronic Application Instructions to HKSCC***

#### *Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 15 October 2013, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" above on Tuesday, 15 October 2013. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 15 October 2013 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 15 October 2013. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of 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 maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 15 October 2013.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

30 September 2013

The Directors  
Ngai Shun Holdings Limited  
Ample Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Ngai Shun Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the years ended 31 March 2011, 2012 and 2013 (the "Relevant Periods"), for inclusion in the prospectus of the Company dated 30 September 2013 (the "Prospectus") in connection with the proposed listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 3 April 2013. Through a corporate reorganisation as more fully explained in the paragraph headed "Corporate reorganisation" in Appendix IV "Statutory and General Information" to the Prospectus (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 18 September 2013.

As at the date of this report, the Company has the following wholly-owned subsidiaries:

Name of subsidiary	Legal form, date and place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities
PEARL SWIRLS LIMITED ("Pearl Swirls")	Limited liability company incorporated on 2 January 2013, British Virgin Islands ("BVI")	1 share of US\$1	100% (direct)	Investment holding
Ngai Shun Construction & Drilling Company Limited ("Ngai Shun")	Limited liability company incorporated on 9 July 1997, Hong Kong	10,000,000 shares of HK\$1 each	100% (indirect)	Foundation business in Hong Kong as a foundation subcontractor

The financial year end date of the companies now comprising the Group is 31 March.

No audited statutory financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement and the Company has not carried on any business other than those transactions relating to the Reorganisation.

No audited statutory financial statements have been prepared for Pearl Swirls since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement.

The statutory financial statements of Ngai Shun for the year ended 31 March 2013 were audited by us. The statutory financial statements of Ngai Shun for the years ended 31 March 2011 and 2012 which were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) were audited by Junius C.T. Lung & Co., Certified Public Accountants (Practising), Hong Kong.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) in accordance with HKFRS issued by the HKICPA.

We have undertaken an independent audit on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in Note 1 of Section II below, and no adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 of Section II below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 March 2011, 2012 and 2013, and of the combined results and combined cash flows of the Group for the Relevant Periods.

## I FINANCIAL INFORMATION OF THE GROUP

The following is the Financial Information of the Group as at 31 March 2011, 2012 and 2013 and for each of the years ended 31 March 2011, 2012 and 2013, presented on the basis set out in Note 1 of Section II below:

**Combined statements of comprehensive income**

	<i>Note</i>	<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	5	204,988	249,586	356,100
Cost of sales	6	<u>(183,827)</u>	<u>(193,175)</u>	<u>(248,827)</u>
Gross profit		21,161	56,411	107,273
Other income and net gains	5	101	388	323
Administrative and other operating expenses	6	<u>(15,685)</u>	<u>(18,335)</u>	<u>(31,777)</u>
Operating profit		5,577	38,464	75,819
Finance costs	9	<u>(352)</u>	<u>(643)</u>	<u>(437)</u>
Profit before income tax		5,225	37,821	75,382
Income tax expense	10	<u>(941)</u>	<u>(6,241)</u>	<u>(12,963)</u>
Profit and total comprehensive income for the year attributable to owners of the Company		<u>4,284</u>	<u>31,580</u>	<u>62,419</u>
Basic and diluted earnings per share	11	<u>HK cents 1.43</u>	<u>HK cents 10.53</u>	<u>HK cents 20.81</u>

Details of dividends are disclosed in Note 12 to the Financial Information.

## Combined statements of financial position

		As at 31 March		
	<i>Note</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	13	<u>16,781</u>	<u>20,737</u>	<u>22,728</u>
<b>Current assets</b>				
Trade and other receivables	15	48,508	61,395	63,745
Tax recoverable		249	—	—
Cash and cash equivalents	16	<u>4,400</u>	<u>22,590</u>	<u>67,210</u>
		<u>53,157</u>	<u>83,985</u>	<u>130,955</u>
<b>Total assets</b>		<u><u>69,938</u></u>	<u><u>104,722</u></u>	<u><u>153,683</u></u>
<b>EQUITY</b>				
<b>Capital and reserves</b>				
Combined capital	21	10,000	10,000	10,000
Retained earnings		<u>13,977</u>	<u>43,557</u>	<u>85,976</u>
<b>Total equity</b>		<u>23,977</u>	<u>53,557</u>	<u>95,976</u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	17	543	1,106	1,202
Provision for long service payments	20	3,781	3,781	4,630
Deferred taxation	19	<u>756</u>	<u>1,095</u>	<u>998</u>
		<u>5,080</u>	<u>5,982</u>	<u>6,830</u>
<b>Current liabilities</b>				
Trade and other payables	18	30,145	26,274	28,087
Borrowings	17	10,736	13,508	15,619
Tax payable		—	<u>5,401</u>	<u>7,171</u>
		<u>40,881</u>	<u>45,183</u>	<u>50,877</u>
<b>Total liabilities</b>		<u>45,961</u>	<u>51,165</u>	<u>57,707</u>
<b>Total equity and liabilities</b>		<u><u>69,938</u></u>	<u><u>104,722</u></u>	<u><u>153,683</u></u>
<b>Net current assets</b>		<u>12,276</u>	<u>38,802</u>	<u>80,078</u>
<b>Total assets less current liabilities</b>		<u><u>29,057</u></u>	<u><u>59,539</u></u>	<u><u>102,806</u></u>

## Combined statements of changes in equity

	<b>Combined capital</b> <i>HK\$'000</i> <i>(Note 21)</i>	<b>Retained earnings</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Balance at 1 April 2010	10,000	12,993	22,993
Profit and total comprehensive income for the year	—	4,284	4,284
Dividend	—	(3,300)	(3,300)
Balance at 31 March 2011	<u>10,000</u>	<u>13,977</u>	<u>23,977</u>
Balance at 1 April 2011	10,000	13,977	23,977
Profit and total comprehensive income for the year	—	31,580	31,580
Dividend	—	(2,000)	(2,000)
Balance at 31 March 2012	<u>10,000</u>	<u>43,557</u>	<u>53,557</u>
Balance at 1 April 2012	10,000	43,557	53,557
Profit and total comprehensive income for the year	—	62,419	62,419
Dividend	—	(20,000)	(20,000)
Balance at 31 March 2013	<u>10,000</u>	<u>85,976</u>	<u>95,976</u>



## Combined statements of cash flows

	Note	Year ended 31 March		
		2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
<b>Cash flows from operating activities</b>				
Net cash generated from operations	22	6,170	31,724	88,241
Tax paid		(50)	(252)	(11,290)
<b>Net cash generated from operating activities</b>		<u>6,120</u>	<u>31,472</u>	<u>76,951</u>
<b>Cash flows from investing activities</b>				
Proceeds from disposal of property, plant and equipment		71	388	270
Purchases of property, plant and equipment		(14,125)	(14,362)	(14,414)
Deposits paid for purchases of property, plant and equipment		(272)	—	(10)
Interest received		—	—	53
<b>Net cash used in investing activities</b>		<u>(14,326)</u>	<u>(13,974)</u>	<u>(14,101)</u>
<b>Cash flows from financing activities</b>				
Inception of finance lease		2,394	8,300	2,366
Drawdown of bank borrowings		2,000	6,000	11,290
Repayment of finance lease		(260)	(4,603)	(4,725)
Repayment of bank borrowings		(2,672)	(6,362)	(6,724)
Interest paid		(352)	(643)	(437)
Dividends paid		(3,300)	(2,000)	(20,000)
<b>Net cash (used in)/generated from financing activities</b>		<u>(2,190)</u>	<u>692</u>	<u>(18,230)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(10,396)	18,190	44,620
<b>Cash and cash equivalents at 1 April</b>		<u>14,796</u>	<u>4,400</u>	<u>22,590</u>
<b>Cash and cash equivalents at 31 March</b>	16	<u><u>4,400</u></u>	<u><u>22,590</u></u>	<u><u>67,210</u></u>

## II NOTES TO THE FINANCIAL INFORMATION

### 1 GENERAL INFORMATION AND BASIS OF PRESENTATION OF THE FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 3 April 2013 as an exempted company with limited liability. Its parent and ultimate holding company is FABULOUS BUSINESS LIMITED, a company incorporated in the BVI and beneficially owned by Mr. Lam Wing Sum ("Mr. Lam"), Mr. Wong Sai Chung ("Mr. SC Wong"), Mr. Wong Sai Lai ("Mr. SL Wong") and Mr. Wong Sai Yee ("Mr. SY Wong") (hereinafter collectively referred to as the "Controlling Parties").

The addresses of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" of the Prospectus. The Company is an investment holding company. The Group is principally engaged in the foundation business in Hong Kong as a foundation subcontractor.

Throughout the Relevant Periods, the group entities were under the control of the Controlling Parties. Through the Reorganisation as more fully explained in the paragraph headed "Corporate reorganisation" in Appendix IV "Statutory and General Information" to the Prospectus, the Company became the holding company of the companies now comprising the Group on 18 September 2013. Accordingly, for the purpose of the preparation of the Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Relevant Periods. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of the Controlling Parties prior to and after the Reorganisation.

The Financial Information has been prepared as if the Company had been the holding company of the Group throughout the Relevant Periods in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Relevant Periods, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation where this is a shorter period. The combined statements of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

The Financial Information is presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company. The choice of presentation currency is to better reflect the currency that mainly determines the economic effects of transactions, events and conditions of the Group.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

#### (a) Basis of presentation

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with the HKFRSs issued by the HKICPA are set out below. The Financial Information set out in this report has been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of the Financial Information in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4 below.

*Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following new or revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the Relevant Periods and which the Group has not early adopted:

		<b>Effective for accounting periods of the Group beginning on or after</b>
HKAS 1 Amendment	Presentation of Items of Other Comprehensive Income	1 April 2013
HKAS 19 (2011)	Employee Benefits	1 April 2013
HKAS 27 (2011)	Separate Financial Statements	1 April 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 April 2013
HKFRS 1 Amendment	Government Loans	1 April 2013
HKFRS 7 Amendment	Disclosures — Offsetting Financial Assets and Financial Liabilities	1 April 2013
HKFRS 10	Consolidated Financial Statements	1 April 2013
HKFRS 11	Joint Arrangements	1 April 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 April 2013
HKFRS 10, HKFRS 11 and HKFRS 12 Amendment	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transaction Guidance	1 April 2013
HKFRS 13	Fair Value Measurement	1 April 2013
HK (IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 April 2013
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities	1 April 2014
HKAS 36 Amendments	Recoverable Amount Disclosures for Non-Financial Assets	1 April 2014
HKAS 39 Amendments	Novation of Derivations and Continuation of Hedge Accounting	1 April 2014
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities	1 April 2014
HK (IFRIC) — Int 21	Levies	1 April 2014
HKFRS 9	Financial Instruments	1 April 2015

The Group will adopt these new standards, amendments and interpretations in the period of initial application. It is not expected to have a significant impact on the Group's result of operations and its financial position.

**(b) Consolidation and combination**

The combined financial information includes the financial information of the Company and all its subsidiaries made up to respective year end dates during the Relevant Periods.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the business combination under common control including the Reorganisation, the acquisition method of accounting is used to account for the Group's business combination. The consideration for the acquisition of a subsidiary is the fair values of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date of whom control is obtained, recognising the fair value changes in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**(c) Transaction with non-controlling interests**

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

**(d) Merger accounting for common control combinations**

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The combined statement of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

**(e) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting reported to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

**(f) Foreign currency translation***(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Hong Kong dollar, which is the Company's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses are presented in the combined statement of comprehensive income within "Other income and net gains".

*(iii) Group companies*

The results and financial position of all companies now comprising the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of that reporting period;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the combined statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

**(g) Property, plant and equipment**

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

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

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Plant and machinery	25%
Furniture and fixtures	25%
Office equipment	25%
Motor vehicles	25%

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

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

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

**(h) Impairment of non-financial assets**

Assets that have indefinite useful life, for example, goodwill, are not subject to amortisation and are tested annually for impairment.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**(i) Leases and hire purchase contracts**

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

*The Group as lessee*

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

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

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

**(j) Construction contracts in progress**

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

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

**(k) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the combined statement of financial position.

**(l) Impairment of financial assets**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

**(m) Trade and other receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**(n) Cash and cash equivalents**

In the combined statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

**(o) Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(p) Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**(q) Borrowings**

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

**(r) Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(s) Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period during the Relevant Periods in the countries where the Group operates and generates taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred tax liabilities are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using



tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period during the Relevant Periods and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**(t) Employee benefits**

*(i) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

*(ii) Retirement benefits*

The Group operates a defined contribution plan and pays contributions to a privately administered pension insurance plan on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

*(iii) Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period during the Relevant Periods are discounted to present value.

*(iv) Bonus plans*

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

**(u) Provisions**

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

**(v) Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

**(w) Revenue recognition**

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

*(a) Construction contracts income*

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

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

Revenue from contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established according to the progress certificate (by reference to the amount of completed works confirmed by surveyor) issued by the customers.

*(b) Interest income*

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

**(x) Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial information in the period in which the dividends are declared by the directors in case of interim dividends or approved by the Company's shareholders in case of final dividends.

**3 FINANCIAL RISK MANAGEMENT****(a) Financial risk factors**

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments, if necessary, to reduce certain risk exposures.

*(i) Interest rate risk*

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

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

As at 31 March 2011, 2012 and 2013, if the interest rate on all borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax for the year would have been decreased/increased by approximately HK\$113,000 and HK\$146,000 and HK\$168,000 respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

*(ii) Credit risk*

Credit risk arises mainly from trade and other receivables and cash at banks. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statement of financial position.

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

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

As at 31 March 2011, 2012 and 2013, there were 4, 2 and 3 customers which individually contributed over 10% of the Group's trade and other receivables, respectively. The aggregate amount of trade and other receivables from these customers amounted to 74%, 74% and 85% of the Group's total trade and other receivables, respectively.

*(iii) Liquidity risk*

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

The following table details the remaining contractual maturities at the year end dates during the Relevant Periods 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 year end dates during the Relevant Periods) and the earliest date the Group may be required to pay:

	<b>On demand or within one year HK\$'000</b>	<b>Between one and two years HK\$'000</b>	<b>Total HK\$'000</b>
At 31 March 2011			
Trade and other payables	30,145	—	30,145
Borrowings	<u>11,181</u>	<u>546</u>	<u>11,727</u>
	<u>41,326</u>	<u>546</u>	<u>41,872</u>
At 31 March 2012			
Trade and other payables	26,274	—	26,274
Borrowings	<u>14,015</u>	<u>1,114</u>	<u>15,129</u>
	<u>40,289</u>	<u>1,114</u>	<u>41,403</u>
At 31 March 2013			
Trade and other payables	28,087	—	28,087
Borrowings	<u>15,949</u>	<u>1,224</u>	<u>17,173</u>
	<u>44,036</u>	<u>1,224</u>	<u>45,260</u>

**(b) Capital risk management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operation and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities as at each year end divided by the total equity as at each year end.

The gearing ratios during the Relevant Periods are as follows:

	<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>
Total borrowings ( <i>Note 17</i> )	11,279	14,614	16,821
Total equity	<u>23,977</u>	<u>53,557</u>	<u>95,976</u>
Gearing ratio	<u>47%</u>	<u>27%</u>	<u>18%</u>

**(c) Fair value estimation**

The carrying values less impairment provision of trade and other receivables, trade and other payables, bank balances are a reasonable approximation of their fair values due to the short-term maturities of these assets and liabilities.

The carrying values of borrowings are a reasonable approximation of their fair values as the interest rates of these borrowings are at market rates.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### (a) Useful lives and impairment of property, plant and equipment

The Group has significant investments in property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period.

Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including decline in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

Impairment of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management judgement is required in the area of asset impairment particularly in assessing; (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of the operations.

##### (b) Impairment of receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at each statement of financial position date.

Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

## 5 REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents contract receipts on construction contracts in the ordinary course of business. Revenue and other income and net gains recognised during the respective years are as follows:

	Year ended 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
<b>Turnover</b>			
Contracts income	<u>204,988</u>	<u>249,586</u>	<u>356,100</u>
<b>Other income and net gains</b>			
Interest income	—	—	53
Gain on disposal of property, plant and equipment	71	388	270
Others	<u>30</u>	<u>—</u>	<u>—</u>
	<u>101</u>	<u>388</u>	<u>323</u>

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors regards the Group's business as a single operating segment and reviews Financial Information accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

For the years ended 31 March 2011, 2012 and 2013, there were 4, 2 and 2 customers which individually contributed over 10% of the Group's revenue, respectively. The aggregate amount of revenue from these customers amounted to 64%, 74% and 75% of the Group's total revenue, respectively.

## 6 EXPENSES BY NATURE

	Year ended 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Cost of sales			
Construction materials costs	87,163	91,655	95,073
Subcontracting charges	12,916	16,610	51,320
Staff costs ( <i>Note 7</i> )	46,753	50,682	55,696
Transportation expenses	7,232	5,745	8,693
Machinery rental cost	16,376	13,727	20,657
Repair and maintenance	3,347	3,225	3,355
Depreciation of owned assets ( <i>Note 13</i> )	7,923	6,393	8,732
Depreciation of assets under finance lease ( <i>Note 13</i> )	665	3,917	3,135
Other	<u>1,452</u>	<u>1,221</u>	<u>2,166</u>
	<u>183,827</u>	<u>193,175</u>	<u>248,827</u>
Administrative and other operating expenses			
Auditors' remuneration	50	70	300
Building management fee	39	40	40
Staff costs, including directors' emoluments ( <i>Note 7</i> )	8,266	11,007	16,553
Depreciation ( <i>Note 13</i> )	530	368	556
Operating lease rental on premises	481	496	852
Travelling	2,183	2,535	2,812
Insurance	178	272	587
Listing expenses	—	—	3,327
Provision for long service payments	—	—	849
Other expenses	<u>3,958</u>	<u>3,547</u>	<u>5,901</u>
	<u>15,685</u>	<u>18,335</u>	<u>31,777</u>

## 7 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Salaries, wages and allowances	53,143	59,632	69,980
Retirement benefit expenses — defined contribution plan	<u>1,876</u>	<u>2,057</u>	<u>2,269</u>
	<u>55,019</u>	<u>61,689</u>	<u>72,249</u>

The Group operates a defined contribution scheme in Hong Kong which complies with the requirements under the Mandatory Provident Fund (“MPF”) Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

## 8 DIRECTORS' EMOLUMENTS

## (a) Directors' emoluments

The emoluments of the directors for the Relevant Periods are set out below:

	Fee	Salaries, wages and allowances	Discretionary bonuses	Retirement scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 31 March 2011</b>					
<i>Executive directors</i>					
Mr. Wong Sai Chung	—	1,041	329	12	1,382
Mr. Lam Wing Sum (Chief Executive Officer)	—	930	150	12	1,092
Mr. Tao Chi Keung	—	332	97	12	441
<i>Non-executive director</i>					
Mr. Wong Sai Yee	—	300	60	9	369
<i>Independent non-executive directors</i>					
Mr. Tam Tak Kei, Raymond	—	—	—	—	—
Mr. Pai Hao	—	—	—	—	—
Mr. Chiu Sai Chuen Nicholas	—	—	—	—	—
	<u>—</u>	<u>2,603</u>	<u>636</u>	<u>45</u>	<u>3,284</u>
<b>Year ended 31 March 2012</b>					
<i>Executive directors</i>					
Mr. Wong Sai Chung	—	1,158	622	12	1,792
Mr. Lam Wing Sum (Chief Executive Officer)	—	1,020	970	12	2,002
Mr. Tao Chi Keung	—	377	108	12	497
<i>Non-executive director</i>					
Mr. Wong Sai Yee	—	360	60	12	432
<i>Independent non-executive directors</i>					
Mr. Tam Tak Kei, Raymond	—	—	—	—	—
Mr. Pai Hao	—	—	—	—	—
Mr. Chiu Sai Chuen Nicholas	—	—	—	—	—
	<u>—</u>	<u>2,915</u>	<u>1,760</u>	<u>48</u>	<u>4,723</u>

	Fee HK\$'000	Salaries, wages and allowances HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 March 2013</b>					
<i>Executive directors</i>					
Mr. Wong Sai Chung	—	1,050	1,780	15	2,845
Mr. Lam Wing Sum (Chief Executive Officer)	—	1,410	2,350	15	3,775
Mr. Tao Chi Keung	—	433	183	15	631
<i>Non-executive director</i>					
Mr. Wong Sai Yee	—	885	770	15	1,670
<i>Independent non-executive directors</i>					
Mr. Tam Tak Kei, Raymond	—	—	—	—	—
Mr. Pai Hao	—	—	—	—	—
Mr. Chiu Sai Chuen Nicholas	—	—	—	—	—
	—	3,778	5,083	60	8,921

During the Relevant Periods, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Relevant Periods.

**(b) Five highest paid individuals**

Of the five individuals with the highest emoluments, two of them are directors for the years ended 31 March 2011 and 2012 and three of them are directors for the year ended 31 March 2013 whose emoluments are disclosed above. The emoluments in respect of the remaining three individuals for the years ended 31 March 2011 and 2012 and the remaining two individuals for the year ended 31 March 2013 are as follows:

	Year ended 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Salaries, wages and allowances	1,371	1,519	1,156
Discretionary bonuses	321	409	623
Retirement benefits expenses	36	36	30
	<u>1,728</u>	<u>1,964</u>	<u>1,809</u>

The emoluments of each of the above non-directors, highest paid individuals were below HK\$1,000,000.

During the Relevant Periods, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group. No such emoluments were agreed to be waived by the relevant individuals.

**9 FINANCE COSTS**

	Year ended 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Interest on finance leases	13	215	107
Interest on bank borrowings wholly repayable within 5 years	339	428	330
	<u>352</u>	<u>643</u>	<u>437</u>



**10 INCOME TAX EXPENSE**

Hong Kong profits tax has been provided at the rate of 16.5% for the years ended 31 March 2011, 2012 and 2013 on the estimated assessable profit arising in or derived from Hong Kong for the year.

	Year ended 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax			
— Current year	501	5,902	13,072
— Over-provision in prior year	—	—	(12)
Deferred income tax ( <i>Note 19</i> )	<u>440</u>	<u>339</u>	<u>(97)</u>
Income tax expense	<u>941</u>	<u>6,241</u>	<u>12,963</u>

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Year ended 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Profit before income tax	<u>5,225</u>	<u>37,821</u>	<u>75,382</u>
Calculated at a tax rate of 16.5%	862	6,240	12,438
Income not subject to tax	(5)	—	(19)
Expenses not deductible for tax purposes	84	1	556
Over-provision in prior year	<u>—</u>	<u>—</u>	<u>(12)</u>
Income tax expense	<u>941</u>	<u>6,241</u>	<u>12,963</u>

**11 EARNINGS PER SHARE**

For the purpose of this report, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company for the Relevant Periods and (ii) the weighted average number of 300,000,000 shares (comprising 10,000 shares in issue and 299,990,000 shares to be issued under the capitalisation issue as described in Appendix IV "Statutory and General Information" to the Prospectus) as if these 300,000,000 shares were outstanding throughout the Relevant Periods.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the Relevant Periods.

**12 DIVIDEND**

	Year ended 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Interim dividend paid	<u>3,300</u>	<u>2,000</u>	<u>20,000</u>

For the three years ended 31 March 2011, 2012 and 2013, Ngai Shun declared and paid dividend of HK\$3,300,000, HK\$2,000,000 and HK\$20,000,000 respectively to its then shareholders.

The rate of dividend and the number of shares ranking for dividend is not presented as such information is not meaningful having regard to the purpose of this report.

Subsequent to the year ended 31 March 2013, in May 2013, an interim dividend of HK\$40,000,000 was appropriated to the then shareholders of Ngai Shun.

## 13 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1 April 2010	59,526	123	124	2,268	62,041
Additions	13,862	3	83	297	14,245
Disposals	(92)	—	—	(230)	(322)
At 31 March 2011	<u>73,296</u>	<u>126</u>	<u>207</u>	<u>2,335</u>	<u>75,964</u>
Accumulated depreciation					
At 1 April 2010	48,824	117	85	1,361	50,387
Charge for the year (Note 6)	8,588	6	39	485	9,118
Disposals	(92)	—	—	(230)	(322)
At 31 March 2011	<u>57,320</u>	<u>123</u>	<u>124</u>	<u>1,616</u>	<u>59,183</u>
Net book value					
At 31 March 2011	<u>15,976</u>	<u>3</u>	<u>83</u>	<u>719</u>	<u>16,781</u>
Cost					
At 1 April 2011	73,296	126	207	2,335	75,964
Additions	14,585	—	49	—	14,634
Disposals	(660)	—	—	—	(660)
At 31 March 2012	<u>87,221</u>	<u>126</u>	<u>256</u>	<u>2,335</u>	<u>89,938</u>
Accumulated depreciation					
At 1 April 2011	57,320	123	124	1,616	59,183
Charge for the year (Note 6)	10,310	1	44	323	10,678
Disposals	(660)	—	—	—	(660)
At 31 March 2012	<u>66,970</u>	<u>124</u>	<u>168</u>	<u>1,939</u>	<u>69,201</u>
Net book value					
At 31 March 2012	<u>20,251</u>	<u>2</u>	<u>88</u>	<u>396</u>	<u>20,737</u>
Cost					
At 1 April 2012	87,221	126	256	2,335	89,938
Additions	13,651	36	99	628	14,414
Disposals	(660)	—	—	(180)	(840)
At 31 March 2013	<u>100,212</u>	<u>162</u>	<u>355</u>	<u>2,783</u>	<u>103,512</u>
Accumulated depreciation					
At 1 April 2012	66,970	124	168	1,939	69,201
Charge for the year (Note 6)	11,867	10	67	479	12,423
Disposals	(660)	—	—	(180)	(840)
At 31 March 2013	<u>78,177</u>	<u>134</u>	<u>235</u>	<u>2,238</u>	<u>80,784</u>
Net book value					
At 31 March 2013	<u>22,035</u>	<u>28</u>	<u>120</u>	<u>545</u>	<u>22,728</u>

Plant and machinery includes the following amounts where the Group is a lessee under finance leases:

	As at 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Cost — capitalised finance leases	2,660	12,424	12,539
Accumulated depreciation	<u>(665)</u>	<u>(4,582)</u>	<u>(6,387)</u>
<b>Net book amount</b>	<b><u>1,995</u></b>	<b><u>7,842</u></b>	<b><u>6,152</u></b>

#### 14 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
<b>Financial assets</b>			
<i>Loans and receivables</i>			
Trade and other receivables excluding prepayments	48,236	61,395	63,703
Cash and cash equivalents	<u>4,400</u>	<u>22,590</u>	<u>67,210</u>
<b>Total</b>	<b><u>52,636</u></b>	<b><u>83,985</u></b>	<b><u>130,913</u></b>
<b>Financial liabilities</b>			
<i>Financial liabilities at amortised cost</i>			
Trade and other payables	30,145	26,274	28,087
Borrowings	<u>11,279</u>	<u>14,614</u>	<u>16,821</u>
<b>Total</b>	<b><u>41,424</u></b>	<b><u>40,888</u></b>	<b><u>44,908</u></b>

#### 15 TRADE AND OTHER RECEIVABLES

	As at 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Contract receivables	37,440	44,173	35,244
Retention receivables	<u>10,558</u>	<u>16,784</u>	<u>27,031</u>
Total trade receivables	47,998	60,957	62,275
Other receivables, deposits and prepayments	<u>510</u>	<u>438</u>	<u>1,470</u>
	<b><u>48,508</u></b>	<b><u>61,395</u></b>	<b><u>63,745</u></b>

*Notes:*

(a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. The credit period granted to customers is 30 to 45 days. Contract receivables are denominated in Hong Kong dollars.

(b) The ageing analysis of the contract receivables based on invoice date is as follows:

	<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>
0–30 days	18,480	19,274	17,953
31–60 days	14,536	23,898	15,021
61–90 days	4,322	919	2,270
91–365 days	71	7	—
Over 365 days	<u>31</u>	<u>75</u>	<u>—</u>
	<u>37,440</u>	<u>44,173</u>	<u>35,244</u>

Contract receivables of approximately HK\$18,480,000, HK\$19,274,000 and HK\$17,953,000 as at 31 March 2011, 2012 and 2013 were not yet past due and approximately HK\$18,960,000, HK\$24,899,000 and HK\$17,291,000 as at 31 March 2011, 2012 and 2013 were past due but not impaired. These relate to contract receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

Retention receivables were not yet past due as at 31 March 2011, 2012 and 2013 and were settled in accordance with the terms of respective contracts.

(c) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

**16 CASH AND CASH EQUIVALENTS**

	<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>
Cash at banks	<u>4,400</u>	<u>22,590</u>	<u>67,210</u>

*Notes:*

(a) The carrying amounts of the cash and cash equivalents are denominated in Hong Kong dollars.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

## 17 BORROWINGS

	As at 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
<b>Non-current</b>			
Finance lease liabilities ( <i>Note b</i> )	<u>543</u>	<u>1,106</u>	<u>1,202</u>
<b>Current</b>			
Bank borrowings ( <i>Note a</i> )	9,145	8,783	13,349
Finance lease liabilities ( <i>Note b</i> )	<u>1,591</u>	<u>4,725</u>	<u>2,270</u>
	<u>10,736</u>	<u>13,508</u>	<u>15,619</u>
<b>Total borrowings</b>	<u>11,279</u>	<u>14,614</u>	<u>16,821</u>

Notes:

**(a) Bank borrowings**

Bank borrowings mature until 2014 and bear interest at 0.5% to 1.75% below the current prime rate per annum.

The bank borrowings are denominated in Hong Kong dollars.

The bank borrowings are classified as current liabilities according to the HK Interpretation-5, Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause issued by the HKICPA. According to the repayment schedule the bank borrowings are repayable as follows:

	As at 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Within 1 year	4,776	4,866	12,344
Between 1 and 2 years	2,883	2,912	1,005
Between 2 and 5 years	<u>1,486</u>	<u>1,005</u>	<u>—</u>
	<u>9,145</u>	<u>8,783</u>	<u>13,349</u>

**(b) Finance lease liabilities**

Lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

	As at 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Gross finance lease liabilities — minimum lease payments			
Within 1 year	1,641	4,838	2,337
Later than 1 year and no later than 2 years	<u>546</u>	<u>1,114</u>	<u>1,224</u>
	2,187	5,952	3,561
Future finance charges on finance leases	<u>(53)</u>	<u>(121)</u>	<u>(89)</u>
Present value of finance lease liabilities	<u>2,134</u>	<u>5,831</u>	<u>3,472</u>

The present value of finance lease liabilities is as follows:

	As at 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	1,591	4,725	2,270
Later than 1 year and no later than 2 years	<u>543</u>	<u>1,106</u>	<u>1,202</u>
	<u>2,134</u>	<u>5,831</u>	<u>3,472</u>

The carrying amounts of all finance lease liabilities are denominated in Hong Kong dollars.

- (c) As at 31 March 2011, the Group had committed banking facilities (including the finance lease facilities) of approximately HK\$14,394,000 which bore interest at 0.25% to 1.75% below the current prime rate per annum.

As at 31 March 2012, the Group had committed banking facilities (including the finance lease facilities) of approximately HK\$30,894,000 which bore interest at 0.25% to 1.75% below the current prime rate per annum.

As at 31 March 2013, the Group had committed banking facilities (including the finance lease facilities) of approximately HK\$36,157,000 which bore interest at 0.25% to 2% below the current prime rate per annum.

As at 31 March 2011, 2012 and 2013, the undrawn banking facilities amounted to approximately nil, HK\$4,200,000 and HK\$4,200,000 respectively.

These banking facilities are secured by:

- (i) The Group's plant and machinery with an aggregate net book value of approximately HK\$1,995,000, HK\$7,842,000 and HK\$6,152,000 as at 31 March 2011, 2012 and 2013 respectively (Note 13);
- (ii) Personal guarantees given by certain directors as at 31 March 2011, 2012 and 2013 respectively. These guarantees will be replaced by the Group's corporate guarantee upon listing; and
- (iii) Guarantee by the Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme.

## 18 TRADE AND OTHER PAYABLES

	As at 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Trade payables	21,733	18,159	17,955
Accruals	<u>8,412</u>	<u>8,115</u>	<u>10,132</u>
	<u>30,145</u>	<u>26,274</u>	<u>28,087</u>

Notes:

- (a) The carrying amounts of trade payables approximate their fair values and are denominated in Hong Kong dollars.
- (b) Payment terms granted by suppliers are 30 to 45 days from the invoice date of the relevant purchases.

The ageing analysis of trade payables based on the invoice date is as follows:

	As at 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
0–30 days	15,139	10,432	11,979
31–60 days	<u>6,594</u>	<u>7,727</u>	<u>5,976</u>
	<u>21,733</u>	<u>18,159</u>	<u>17,955</u>

## 19 DEFERRED TAXATION

The movements in deferred tax liabilities during the Relevant Periods are as follows:

	Accelerated tax depreciation HK\$'000
Deferred tax liabilities	
At 1 April 2010	316
Charged to profit or loss ( <i>Note 10</i> )	<u>440</u>
At 31 March 2011	756
Charged to profit or loss ( <i>Note 10</i> )	<u>339</u>
At 31 March 2012	1,095
Credited to profit or loss ( <i>Note 10</i> )	<u>(97)</u>
At 31 March 2013	<u>998</u>

## 20 PROVISION FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is obligated to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations. The long service payments are paid out from the Group's cash at banks when such payments are required. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group at the end of each of the reporting period.

	HK\$'000
At 1 April 2010, 31 March 2011 and 2012	3,781
Charged to profit and loss	<u>849</u>
At 31 March 2013	<u>4,630</u>

## 21 COMBINED CAPITAL

	As at 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Combined capital	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

For the purpose of the preparation of the combined statement of financial position, the balance of combined capital at 31 March 2011, 2012 and 2013 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group prior to the Reorganisation.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 3 April 2013 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each and one share was issued thereafter.

## 22 NOTE TO COMBINED STATEMENTS OF CASH FLOWS

## Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Profit before income tax	5,225	37,821	75,382
Adjustments for:			
Depreciation	9,118	10,678	12,423
Gain on disposal of property, plant and equipment	(71)	(388)	(270)
Provision for long service payments	—	—	849
Interest income	—	—	(53)
Interest expense	<u>352</u>	<u>643</u>	<u>437</u>
Operating profit before working capital changes	14,624	48,754	88,768
Increase in trade and other receivables	(15,488)	(13,159)	(2,340)
Increase/(Decrease) in trade and other payables	<u>7,034</u>	<u>(3,871)</u>	<u>1,813</u>
Net cash generated from operations	<u>6,170</u>	<u>31,724</u>	<u>88,241</u>

## 23 COMMITMENTS

## (a) Capital commitments

Capital commitments outstanding at each statement of financial position date not provided for in the Financial Information were as follows:

	As at 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Contracted but not provided for:			
Property, plant and equipment	<u>2,448</u>	<u>—</u>	<u>300</u>



**(b) Operating lease commitments — Group as lessee**

At each statement of financial position date, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Not later than 1 year	269	436	917
1–5 years	—	519	435
	<u>269</u>	<u>955</u>	<u>1,352</u>

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of two to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

**24 RELATED PARTY TRANSACTIONS**

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) Save as disclosed in Note 17 to the Financial Information, the Group did not have any significant related party transaction with related parties during the Relevant Periods.
- (b) The emoluments of the directors and senior executives (representing the key management personnel) during the Relevant Periods are disclosed in Note 8.

**25 CONTINGENT LIABILITIES**

- (a) Save as the immaterial items disclosed below, the Group had no significant contingent liabilities at the end of each of the Relevant Periods.

**(b) Pending litigation**

As at 31 March 2013, there was an outstanding personal injury case made against the Group. The claim was related to an employee of the Group who alleged to have suffered from bodily injury during his course of employment in the Group's construction sites. The claim is dealt with and handled by the insurer and is covered by mandatory insurance. The directors of the Company assessed the case and believed that there would not be a material impact to the financial position of the Group. No provision has been made for the case in the Financial Information.

Further, as at 31 March 2013, a charge was laid by the Government of the Hong Kong Special Administrative Region to the Group in relation to an accident which occurred on 14 August 2012 alleging the Group's failure to ensure a power-driver lifting appliance, namely a pile driver, was not used for raising, lowering or carrying persons other than in accordance with Regulation 18B(1) of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations, which was in breach of Regulations 18B(2) and 19 of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations. Ngai Shun has pleaded not guilty to the offence and the case is adjourned to 18 October 2013 for part heard. In the event the Group is convicted, the Group may be subject to a fine at a maximum amount of HK\$200,000 which will not be covered by the Group's insurance policies.

### III DIRECTORS' REMUNERATION

Save as disclosed in Note 8 to this report, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Relevant Periods. Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 March 2014 is expected to be approximately HK\$4,159,000.

### IV SUBSEQUENT EVENTS

Save as disclosed in Note 12 to this report, the following significant events took place subsequent to 31 March 2013:

- (a) On 6 June 2013, summonses have been issued to Ngai Shun in relation to eight offences arising from the incident occurred on 7 December 2012 which involved a piece of lifting appliance located in a construction site. No injury has been involved in this incident. The Group has pleaded not guilty to all of the offences at the first trial and the case is adjourned to 25 October 2013 for mention. In the event the Group is convicted, the Group may be subject to an aggregated amount of the maximum possible fines of HK\$1,000,000, which will not be covered by the Group's insurance policies.
- (b) The Reorganisation as set out in Note 1 of Section II was completed on 18 September 2013.
- (c) The Company adopted a share option scheme on 22 September 2013, a summary of the terms and conditions of which are set out in the paragraph headed "Share Option Scheme" in Appendix IV "Statutory and General Information" to the Prospectus.
- (d) On 22 September 2013, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional of 962,000,000 shares of HK\$0.01 each.

### V SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 March 2013.

Yours faithfully,

**HLB Hodgson Impey Cheng Limited**

*Certified Public Accountants*

**Jonathan T.S. Lai**

Practising Certificate Number: P04165

Hong Kong

The information set out in this appendix does not form part of the Accountants' Report prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included in this prospectus for information only.

The following unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Listing Rules is for illustrative purposes only, and is set out here to provide investors with further information about how the proposed listing might have affected the net tangible assets of our Group as if the Share Offer had occurred on 31 March 2013. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of our Group's financial results and positions of the financial periods concerns.

#### A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 March 2013. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group after the Share Offer or at any future dates.

	<b>Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2013 HK\$'000 (Note 1)</b>	<b>Add: Estimated net proceeds from the Share Offer HK\$'000 (Note 2)</b>	<b>Unaudited pro forma adjusted net tangible assets HK\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets per Share HK\$ (Note 3)</b>
Based on the Offer Price of HK\$0.83 per Share	<u>95,976</u>	<u>66,859</u>	<u>162,835</u>	<u>0.41</u>
Based on the Offer Price of HK\$1.09 per Share	<u>95,976</u>	<u>92,859</u>	<u>188,835</u>	<u>0.47</u>

*Notes:*

1. The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2013 were extracted from the accountants' report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on the minimum and maximum Offer Price of HK\$0.83 and HK\$1.09 per Share respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses but without taking into account any Shares which may fall to be issued upon exercise of the Offer Size Adjustment Option.

3. The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in Notes 1 and 2 above and on the basis that 400,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" in this prospectus, but takes no account of any Shares which may fall to be allotted and issued upon exercise of the Offer Size Adjustment Option.
  
4. The unaudited pro forma financial information presented above does not take account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 31 March 2013). In particular, in May 2013, an interim dividend of HK\$40,000,000 was appropriated to the then shareholders of Ngai Shun (which is now an indirect wholly-owned subsidiary of the Company). The unaudited pro forma adjusted net tangible assets had not taken into account of the above transaction.

**B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.*



國衛會計師事務所有限公司  
**Hodgson Impey Cheng Limited**

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF NGAI SHUN HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Ngai Shun Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted net tangible assets as at 31 March 2013 (the "Unaudited Pro Forma Financial Information") and related notes as set out in Section A of Appendix II to the prospectus issued by the Company dated 30 September 2013 (the "Prospectus"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed placing and public offer of 100,000,000 shares of HK\$0.01 each in the capital of the Company on the Group's financial position as at 31 March 2013 as if the event had taken place at 31 March 2013. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended 31 March 2013, on which an accountants' report has been published.

**DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL  
INFORMATION**

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Main Board of 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' RESPONSIBILITY**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3420, "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2013 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**OPINION**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**HLB Hodgson Impey Cheng Limited**

*Certified Public Accountants*

**Jonathan T. S. Lai**

Practising Certificate Number: P04165

Hong Kong, 30 September 2013

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 3 April 2013 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since 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) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Articles were adopted on 22 September 2013. The following is a summary of certain provisions of the Articles:

### (a) Shares

#### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

#### (ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued



and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

**(b) Directors**

*(i) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as 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). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in 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 whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(ii) Power to dispose of the assets of the Company or any subsidiary*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may 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, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

*(iii) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily 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 and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, 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 or member of 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 or other benefits received by him as a director, officer or member of such other company. 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.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by 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 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 associate(s) 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 generally accorded to the employees to which such scheme or fund relates; or
- (ee) 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.

*(vi) Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as 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 shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vii) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board 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.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, without special leave, he is absent from meetings of the Board 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 generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with 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 also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

*(viii) Borrowing powers*

Pursuant to the Articles, 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 uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, 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. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) *Register of Directors and officers*

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) *Proceedings of the Board*

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) Alteration of capital**

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide



its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

**(f) Special resolution — majority required**

In accordance with the Articles, a special resolution of 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 by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, 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 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 less than 21 clear days' notice has been given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

**(g) Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the



register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised 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 in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, 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 member in contravention of such requirement or restriction shall not be counted.

**(h) Annual general meetings**

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

**(i) Accounts and audit**

The Board shall cause proper books of account 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 assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company 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 account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

**(j) Notices of meetings and business to be conducted thereat**

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of 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 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors;

- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

**(k) Transfer of shares**

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the

relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as 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 register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

**(l) Power of 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 requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

**(m) Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

**(n) Dividends and other methods of distribution**

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.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever 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.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, 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.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

**(o) Proxies**

Any member of 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. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(p) Calls on shares and forfeiture of shares**

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix 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 money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the



call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of 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, nevertheless, 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 payment at such rate not exceeding 20% per annum as the Board may prescribe.

**(q) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

**(r) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.



**(s) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

**(t) 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, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if 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, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of 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 and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(u) Untraceable members**

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), 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 stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to 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.

**(v) Subscription rights reserve**

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by 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 the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 3 April 2013 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, 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 authorized share capital.

**(b) Share capital**

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company’s or a subsidiary’s shares. Therefore, a company may provide financial assistance

provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is *ultra vires* the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that 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 interest 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**

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from 23 April 2013.

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.

**(k) Stamp duty on transfers**

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

**(o) Winding up**

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a

limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

**(p) Reconstructions**

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the



appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(q) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(r) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection — B. Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 3 April 2013. We have been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 10 June 2013 and our principal place of business in Hong Kong is at Unit 2, 23/F., New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon, Hong Kong. Loong & Yeung has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles of Association is set out in Appendix III to this prospectus.

**2. Changes in share capital of our Company**

Immediately following completion of the Capitalisation Issue and the Share Offer and assuming that the Offer Size Adjustment Option is not exercised, the authorised share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares, of which 400,000,000 Shares will be issued fully paid or credited as fully paid, and 600,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our sole Shareholder passed on 22 September 2013” in this appendix, the Share Option Scheme and the Offer Size Adjustment Option, we do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

**3. Written resolutions of our sole Shareholder passed on 22 September 2013**

By written resolutions of our sole Shareholder passed on 22 September 2013:

- (a) our Company approved and adopted the Articles;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional of 962,000,000 Shares of HK\$0.01 each, each ranking *pari passu* with the Shares then in issue in all respects;
- (c) conditional on the Listing Committee granting listing of, and permission to deal in, our Shares in issue and the Shares to be issued as mentioned in this prospectus including any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option, and the obligations of the Underwriters under the Underwriting Agreements becoming

unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:

- (i) the Share Offer and the Offer Size Adjustment Option were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be allotted and issued upon the exercise of the Offer Size Adjustment Option, in each case to rank *pari passu* with the then existing Shares in all respects; and
- (ii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme; and
- (iii) following the increase in the authorised share capital of our Company mentioned in sub-paragraph (b) above and conditional further on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$2,999,900 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 299,990,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 19 September 2013 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then Shares then in issue, and our Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;
- (d) a general unconditional mandate was given to our Directors exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by our Shareholders at general meeting or pursuant to the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued under the

Offer Size Adjustment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; and
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued under the Offer Size Adjustment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; and
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued under the Offer Size Adjustment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

#### 4. Corporate reorganisation

The companies comprising our Group underwent the Corporate Reorganisation to rationalise our Group's structure in preparation for the listing of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group.

The Corporate Reorganisation which was effected in preparation for the Listing, whereby our Company became the holding company of our Group, included the following major steps:

- (1) On 5 December 2012, Prime Colour was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. On 3 April 2013, 100 fully paid ordinary shares representing 100% of the issued share capital of Prime Colour were allotted and issued to Mr. SC Wong, of which 40, 20 and 40 fully paid ordinary shares of Prime Colour, representing 40%, 20% and 40% of the issued share capital of Prime Colour, were held by Mr. SC Wong beneficially, and held by Mr. SC Wong on trust for Mr. SL Wong and Mr. SY Wong, respectively.
- (2) On 11 December 2012, Splendid Core was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. On 3 April 2013, one fully paid ordinary share of Splendid Core, representing the entire issued share capital of Splendid Core, was allotted and issued to Mr. Lam.
- (3) On 2 January 2013, Fabulous Business was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. On 3 April 2013 and 2 September 2013 respectively, each of Prime Colour and Splendid Core was allotted and issued in aggregate 10 fully paid ordinary shares of Fabulous Business, each representing 50% of the issued share capital of Fabulous Business.
- (4) On 2 January 2013, Pearl Swirls was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. One fully paid ordinary share of Pearl Swirls, representing the entire issued share capital of Pearl Swirls, was allotted and issued to Fabulous Business on 3 April 2013.
- (5) On 3 April 2013, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 per share. One nil paid Share was allotted and issued to the subscriber to the memorandum and articles of association of the Company, which was later transferred to Fabulous Business on 3 April 2013.
- (6) On 3 September 2013, Pearl Swirls as purchaser and Mr. SC Wong, Mr. SL Wong, Mr. SY Wong and Mr. Lam as vendors and Fabulous Business entered into a sale and purchase agreement, pursuant to which Pearl Swirls acquired the beneficial interest of each of:
  - (i) 2,000,000 ordinary shares (or 20%) of Ngai Shun from Mr. SC Wong and as consideration for which 20 shares of Fabulous Business were allotted and issued to Prime Colour (as directed by Mr. SC Wong), all credited as fully paid;

- (ii) 1,000,000 ordinary shares (or 10%) of Ngai Shun from Mr. SL Wong and as consideration for which 10 shares of Fabulous Business were allotted and issued to Prime Colour (as directed by Mr. SL Wong), all credited as fully paid;
- (iii) 2,000,000 ordinary shares (or 20%) of Ngai Shun from Mr. SY Wong and as consideration for which 20 shares of Fabulous Business were allotted and issued to Prime Colour (as directed by Mr. SY Wong), all credited as fully paid; and
- (iv) 5,000,000 ordinary shares (or 50%) of Ngai Shun from Mr. Lam and as consideration for which 50 shares of Fabulous Business were allotted and issued to Splendid Core (as directed by Mr. Lam), all credited as fully paid.

Upon completion of the aforesaid share transfers, Pearl Swirls held an aggregate of 10,000,000 ordinary shares of Ngai Shun, being the entire issued share capital of Ngai Shun, and Ngai Shun became a wholly-owned subsidiary of Pearl Swirls.

- (7) On 18 September 2013, Fabulous Business as vendor, the Company as purchaser and Mr. SC Wong, Mr. SY Wong, Mr. Lam and Fabulous Business as warrantors entered into a sale and purchase agreement, pursuant to which the Company acquired the entire issued share capital of Pearl Swirls, and as consideration for which (i) the one nil paid Share held by Fabulous Business was credited as fully paid, and (ii) 9,999 Shares were allotted and issued to Fabulous Business, all credited as fully paid.

Immediately after completion of the share transfer referred to in item (7) above, our Company became the holding company of our Group.

#### **5. Changes in share capital of subsidiaries**

The following alterations in the share capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus:

##### ***Pearl Swirls***

On 2 January 2013, the Pearl Swirls was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each.

On 3 April 2013, director's resolutions of the Pearl Swirls were passed to approve, among other things, (i) the authorised share capital shall be US\$50,000 divided into 50,000 shares of US\$1.00 each; and (ii) the allotment and issue of one share of Pearl Swirls to Fabulous Business at par.

On 18 September 2013, Fabulous Business as vendor, the Company as purchaser and Mr. SC Wong, Mr. SY Wong, Mr. Lam and Fabulous Business as warrantors entered into a sale and purchase agreement, pursuant to which the Company acquired the entire issued share capital of Pearl Swirls, and as consideration for which (i) the one nil paid Share held by Fabulous Business was credited as fully paid, and (ii) 9,999 Shares were allotted and issued to Fabulous Business, all credited as fully paid.

*Ngai Shun*

On 11 December 2012, Mr. SS Wong transferred his beneficial interest in the 1,000,000 (or 10%) ordinary shares of Ngai Shun to Mr. SY Wong by way of deed of gift as a family arrangement. Immediately after the transfer of beneficial interest of the shares of Ngai Shun under the deed of gift, among the 5,000,000 ordinary shares of Ngai Shun held by Mr. SC Wong, 2,000,000 ordinary shares were held by Mr. SC Wong beneficially, and 1,000,000 and 2,000,000 ordinary shares were held by Mr. SC Wong on trust for Mr. SL Wong and Mr. SY Wong, respectively.

On 27 February 2013, Mrs. Lam transferred her 1,500,000 ordinary shares (or 15%) of Ngai Shun to Mr. Lam by way of a deed of gift as a family arrangement and resigned as a director of Ngai Shun given her passive role in the management of Ngai Shun.

On 3 September 2013, Pearl Swirls as purchaser and Mr. SC Wong, Mr. SL Wong, Mr. SY Wong and Mr. Lam as vendors and Fabulous Business entered into a sale and purchase agreement, pursuant to which Pearl Swirls acquired the beneficial interest of each of:

- (i) 2,000,000 ordinary shares (or 20%) of Ngai Shun from Mr. SC Wong and as consideration for which 20 shares of Fabulous Business were allotted and issued to Prime Colour (as directed by Mr. SC Wong), all credited as fully paid;
- (ii) 1,000,000 ordinary shares (or 10%) of Ngai Shun from Mr. SL Wong and as consideration for which 10 shares of Fabulous Business were allotted and issued to Prime Colour (as directed by Mr. SL Wong), all credited as fully paid;
- (iii) 2,000,000 ordinary shares (or 20%) of Ngai Shun from Mr. SY Wong and as consideration for which 20 shares of Fabulous Business were allotted and issued to Prime Colour (as directed by Mr. SY Wong), all credited as fully paid; and
- (iv) 5,000,000 ordinary shares (or 50%) of Ngai Shun from Mr. Lam and as consideration for which 50 shares of Fabulous Business were allotted and issued to Splendid Core (as directed by Mr. Lam), all credited as fully paid.

Upon completion of the aforesaid share transfers, Pearl Swirls held an aggregate of 10,000,000 ordinary shares of Ngai Shun, being the entire issued share capital of Ngai Shun, and Ngai Shun became a wholly-owned subsidiary of Pearl Swirls.

Save as disclosed above and as mentioned in the paragraph headed “Corporate reorganisation” in this appendix, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.



## 6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

### (a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

#### (i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

*Note:* Pursuant to the written resolutions of our sole Shareholder passed on 22 September 2013, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorising our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, such number of Shares representing up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued under the Offer Size Adjustment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by law or the Articles to be held, or when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

#### (ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.



*(iii) Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a “connected person”, which includes a Director, chief executive or substantial Shareholder or any of our subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company.

*(b) Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

*(c) Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue after completion of the Capitalisation Issue and Share Offer, could accordingly result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

*(d) Funding of repurchase*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

*(e) General*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder’s proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (the “Takeovers Code”). Accordingly, a

Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS**

### **1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:


- (a) the sale and purchase agreement dated 3 September 2013 entered into between Pearl Swirls as purchaser and Mr. SC Wong, Mr. SL Wong, Mr. SY Wong and Mr. Lam as vendors and Fabulous Business, pursuant to which Pearl Swirls acquired 10,000,000 ordinary shares of Ngai Shun, representing its entire issued share capital and as consideration, 20, 10, 20 shares of Fabulous Business were allotted and issued to Prime Colour (as directed by Mr. SC Wong, Mr. SL Wong and Mr. SY Wong respectively), all credited as fully paid and 50 shares of Fabulous Business were allotted and issued to Splendid Core (as directed by Mr. Lam), all credited as fully paid;
- (b) the sale and purchase agreement dated 18 September 2013 entered into among Fabulous Business as vendor, the Company as purchaser and Mr. SC Wong, Mr. SY Wong, Mr. Lam and Fabulous Business as warrantors, pursuant to which the Company acquired the entire issued share capital of Pearl Swirls, and as consideration for which (i) the one nil paid Share held by Fabulous Business was credited as fully paid, and (ii) 9,999 Shares were allotted and issued to Fabulous Business, all credited as fully paid;
- (c) the non-competition undertaking dated 22 September 2013 executed by Mr. SC Wong, Mr. SL Wong, Mr. SY Wong, Mr. Lam, Prime Colour, Splendid Core and Fabulous Business in favour of the Company and its subsidiaries containing certain non-competition undertakings to the Group;

- (d) a deed of indemnity dated 22 September 2013 given by Mr. SC Wong, Mr. SY Wong, Mr. Lam, Prime Colour, Splendid Core and Fabulous Business in favour of our Group in respect of taxation and other indemnities referred to in the sub-section headed “Tax and other indemnities” in this appendix; and
- (e) the Public Offer Underwriting Agreement.

## 2. Intellectual property rights

### Trademark

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks, the registration of which has not yet been granted:

Trademark	Application Number	Application Date	Class	Place of registration	Applicant
	302584206	19 April 2013	37 <i>Note</i>	Hong Kong	Ngai Shun

*Note:* Class 37: Site formation; excavation; dredging; ground investigation and improvement; drilling; grouting (construction services); conducting construction foundation works; piling services; construction engineering; all included in class 37.

As at the Latest Practicable Date, our Group has registered the following domain name:

Domain name	Registration Date	Expiry Date
NGAISHUN.COM.HK	24 March 2000	null

## C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

### 1. Disclosure of interests

- (a) Immediately following the completion of the Capitalisation Issue and the Share Offer but taking no account of our Shares to be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Offer Size Adjustment Option, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for

Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) *Long position in our Shares*

<b>Name of Director</b>	<b>Capacity/Nature</b>	<b>No. of Shares held</b>	<b>Approximate percentage of shareholding</b>
Mr. SC Wong	Interest in controlled corporation; Trustee (Note)	300,000,000	75%
Mr. Lam	Interest in controlled corporation (Note)	300,000,000	75%
Mr. SY Wong	Interest in controlled corporation (Note)	300,000,000	75%

(ii) *Long position in the ordinary shares of associated corporations*

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity/Nature</b>	<b>No. of Shares held</b>	<b>Approximate percentage of shareholding</b>
Mr. SC Wong	Fabulous Business	Interest in controlled corporation (Note)	24	20%
Mr. SY Wong	Fabulous Business	Interest in controlled corporation (Note)	24	20%
Mr. Lam	Fabulous Business	Interest in controlled corporation (Note)	60	50%
Mr. SC Wong	Prime Colour	Beneficial owner	40	40%
Mr. SY Wong	Prime Colour	Beneficial owner	40	40%
Mr. Lam	Splendid Core	Beneficial owner	1	100%

*Note:* These 300,000,000 Shares are held by Fabulous Business which is owned by each of Prime Colour and Splendid Core as to 50%. Mr. SC Wong owns 100% of the issued share capital of Prime Colour, of which 40% of the shares is beneficially held by Mr. SC Wong, and 20% and 40% of the shares are held by Mr. SC Wong on trust for Mr. SL Wong and Mr. SY Wong, respectively. Mr. Lam owns 100% of the issued share capital of Splendid Core. Therefore, Mr. SC Wong, Mr. SY Wong and Mr. Lam are deemed or taken to be interested in all the Shares which are beneficially owned by Fabulous Business for the purpose of the SFO.

- (b) So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer and Shares to be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Offer Size Adjustment Option, the following persons (not being a Director or chief executive of our Company as disclosed in paragraph (a) above) will, immediately following the completion of the Capitalisation Issue and the Share Offer have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

*Long position in our Shares*

<b>Name</b>	<b>Nature of Interest</b>	<b>No. of Shares held</b>	<b>Approximate percentage of shareholding</b>
Fabulous Business	Beneficial owner ( <i>Note 1</i> )	300,000,000	75%
Prime Colour	Interest in controlled corporation ( <i>Note 2</i> )	300,000,000	75%
Splendid Core	Interest in controlled corporation ( <i>Note 3</i> )	300,000,000	75%
Ms. Wong Lai Ling	Interest of spouse ( <i>Note 4</i> )	300,000,000	75%
Mrs. Lam	Interest of spouse ( <i>Note 5</i> )	300,000,000	75%
Ms. Wong Mei Yi Patricia	Interest of spouse ( <i>Note 6</i> )	300,000,000	75%

*Notes:*

- (1) Fabulous Business is a company incorporated in the BVI and is owned by Prime Colour as to 50% and owned by Splendid Core as to the remaining 50%. Mr. SC Wong, Mr. Lam and Mr. SY Wong are directors of Fabulous Business.
- (2) Prime Colour is a company incorporated in the BVI and owns 50% shareholding in Fabulous Business, which in turn owns 75% shareholding in the Company. Therefore, Prime Colour is deemed or taken to be interested in all the Shares which are beneficially owned by Fabulous Business for the purpose of SFO. Mr. SC Wong and Mr. SY Wong are directors of Prime Colour.
- (3) Splendid Core is a company incorporated in the BVI and owns 50% shareholding in Fabulous Business, which in turn owns 75% shareholding in our Company. Therefore, Splendid Core is deemed or taken to be interested in all the Shares which are beneficially owned by Fabulous Business for the purpose of SFO. Mr. Lam is the sole director of Splendid Core.
- (4) Ms. Wong Lai Ling is the spouse of Mr. SC Wong. Therefore, Ms. Wong Lai Ling is deemed or taken to be interested in all the Shares which are interested by Mr. SC Wong for the purpose of the SFO.

- (5) Mrs. Lam is the spouse of Mr. Lam. Therefore, Mrs. Lam is deemed or taken to be interested in all the Shares which are interested by Mr. Lam for the purpose of the SFO.
- (6) Ms. Wong Mei Yi Patricia is the spouse of Mr. SY Wong. Therefore, Ms. Wong Mei Yi Patricia is deemed or taken to be interested in all the Shares which are interested by Mr. SY Wong for the purpose of the SFO.

## 2. Particulars of service agreements

Each of the executive Directors has entered into a service contract with the Company. The terms and conditions of each of such service contracts are similar in all material respects. The service contracts are initially for a fixed term of two years commencing from the Listing Date and will continue until terminated by not less than three months written notice or payment in lieu to the other party. Each of these executive Directors is entitled to the respective basic salary set out below. An executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of the Directors regarding the amount of the monthly salary and the discretionary bonus payable to him. The current basic annual salaries of the executive Directors are as follows:

Name	Amount
Mr. SC Wong	HK\$1,200,000
Mr. Lam	HK\$1,620,000
Mr. Tao Chi Keung (杜志強)	HK\$412,440

Each of the non-executive Director and independent non-executive Directors has entered into a service contract with the Company. The terms and conditions of each of such service contracts are similar in all material respects. Each of the independent non-executive Directors are appointed with an initial term of two years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant service contracts. The annual remunerations payable to the non-executive Director and independent non-executive Directors under each of the service contracts are as follows:

Name	Amount
<i>Non-executive Director</i>	
Mr. SY Wong	HK\$720,000
<i>Independent non-executive Directors</i>	
Mr. Tam Tak Kei, Raymond (譚德機)	HK\$150,000
Mr. Pai Hao (白疇)	HK\$150,000
Mr. Chiu Sai Chuen Nicholas (趙世存)	HK\$150,000

Save as disclosed above, no Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

**3. Directors' remuneration**

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the three years ended 31 March 2011, 2012 and 2013 were approximately HK\$3.3 million, HK\$4.7 million and HK\$8.9 million, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2014 will be approximately HK\$4,159,000.

**4. Fees or commission received**

Save as disclosed in the paragraph headed "Commission and expenses" in the section headed "Underwriting" of this prospectus, none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

**5. Related party transactions**

Details of the related party transactions are set out under note 24 to the accountants' report set out in Appendix I to this prospectus.

**6. Disclaimers**

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of Shares which may be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Offer Size Adjustment Option, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the

SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

#### D. SHARE OPTION SCHEME

##### (a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	22 September 2013, the date on which the Share Option Scheme is conditionally adopted by the sole Shareholder by way of written resolution
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“business day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest



**(b) Summary of terms**

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 22 September 2013:

*(i) Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

*(ii) Who may join and basis of eligibility*

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

*(iii) Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided that in the event of fractional prices, the subscription price per Share shall be rounded upwards to the nearest whole cent; and for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than 5 business days, the issue price shall be used as the closing price for any business day fall within the period before listing.

*(iv) Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(v) *Maximum number of Shares*

- (aa) subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 40,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 40,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.
- (cc) our Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, and such other information required under the Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company, if this will result in such 30% limit being exceeded.

(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Where any further grant of options

in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

*(vii) Grant of options to certain connected persons*

- (aa) Any grant of an option to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
  - (i) representing in aggregate over 0.1% of the Shares in issue; and
  - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant and his/her intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by the Shareholders in the aforesaid manner.

(viii) *Restrictions on the times of grant of options*

- (aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no option 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 last day on which our Company shall publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or any other interim period and ending on the date of the results announcement (whether or not required under the Listing Rules).
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted on any day on which financial results of our Company are published and:
- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
  - (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) *Performance targets*

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of

allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

*(xii) Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

*(xiii) Rights on cessation of employment by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his/her death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his/her death, then his/her personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

*(xiv) Rights on cessation of employment by dismissal*

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option shall lapse automatically (to the extent not already exercised) on the date of cessation of his/her employment with our Group.

*(xv) Rights on cessation of employment for other reasons*

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

*(xvi) Effects of alterations to share capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised and/or the subscription prices, as the auditors of or independent financial advisor to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification or confirmation is required in case of adjustment made on a capitalisation issue), provided that any such alteration shall give a grantee as near as possible the same proportion of the issued share capital of our Company as that to which he/she/it was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

*(xvii) Rights on a general offer*

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within 1 month after the date on which the offer becomes or is declared unconditional.

*(xviii) Rights on winding-up*

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee shall be entitled to exercise all or any of his options (to the extent not already lapsed or exercised) at any time not later than 2 business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for 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 referred to above, allot the relevant Shares to the grantee credited as fully paid.

*(xix) Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or

companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees on the same day as it gives notice of the meeting to the Shareholders or the creditors of our Company to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than 2 business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the “Suspension Date”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavor to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of its officers.

*(xx) Lapse of options*

Subject to paragraph (xiv) above, an option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii) or (xviii) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his/her creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his/her integrity or honesty;



- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) becoming effective, the date on which such compromise or arrangement becomes effective.

*(xxi) Cancellation of options granted but not yet exercised*

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancellation.

*(xxii) Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

*(xxiii) Alteration to the Share Option Scheme*

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees or prospective grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

*(xxiv) Termination to the Share Option Scheme*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.



*(xxv) Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on the Listing Committee granting the listing of, and permission to deal in the Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

**(c) Present status of the Share Option Scheme**

Application has been made to the Listing Committee for listing of and permission to deal in 40,000,000 Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

**E. OTHER INFORMATION****1. Tax and other indemnities**

Mr. SC Wong, Mr. SY Wong, Mr. Lam, Prime Colour, Splendid Core and Fabulous Business (the “Indemnifiers”) have, under a deed of indemnity (the “Deed”) referred to in the sub-section headed “Summary of material contracts” in this appendix, given joint and several indemnities to our Company for itself and as trustee for our subsidiaries in connection with, among other things,

- (a) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued, or received or deemed or alleged to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; and
- (b) all costs (including all legal costs), expenses, interests, penalties or other liabilities which any member of our Group Companies may make, suffer or incur in connection with:
  - (i) the investigation, assessment or contesting of any taxation claim under the Deed;
  - (ii) the settlement of any taxation claim under the deed;
  - (iii) any legal proceedings in which any of the member of the Group claims in relation to any taxation claim under or in respect of the Deed and in which judgement, award or decision is given for any member of our Group; and
  - (iv) the enforcement of any such settlement or judgment referred to in (ii) and (iii) above.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- specific provision or reserve has been made for such taxation liability in the audited accounts of our Company or any member of our Group for the Track Record Period; or
- the taxation liability arises or is increased as a result only of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- the taxation liability arises in the ordinary course of business of our Group after 31 March 2013 up to and including the date on which the Share Offer becomes unconditional.

The Indemnifiers will also indemnify our Company and each member of our Group against all claims, liabilities, losses, fines, demands, payments, suits, damages, settlement payments and any associated costs and expenses of whatever nature suffered by or incurred by our Company and/or other relevant member of our Group as a result of directly or indirectly or in connection with:

- (a) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings whether of criminal, administrative, contractual, tortious nature or otherwise instituted by or against our Company and/or any member of our Group which was issued and/or accused and/or arising from any act, non-performance, omission or otherwise of our Company or any member of our Group on or before the date of fulfilment of all conditions set out in the paragraph headed “Conditions of the Share Offer” under the section headed “Structure of the Share Offer” in this prospectus;
- (b) all relocation costs, loss of profit and business, penalties and fines and all losses and damages which may be suffered by our Company and any member of our Group as a result of any relocation due to the non-obtaining of the mortgagee’s consent (if any) as referred to in the section headed “Business — Properties” of this prospectus;
- (c) any irregularities in relation to the corporate documents of any member of our Group which have been specifically referred to and confirmed by the Indemnifiers in writing; and
- (d) any non-compliance with the applicable laws, rules or regulations by the Company and/or any member of our Group on or before the date of fulfilment of all conditions set out in the paragraph headed “Conditions of the Share Offer” under the section headed “Structure of the Share Offer” in this prospectus.

except that specific provision, reserve or allowance has been made for such liabilities in the audited combined accounts of our Company for the Track Record Period and the provision for the maximum potential fine in the sum of HK\$1,200,000 in regard to the outstanding criminal cases (case nos. KCS4649/2013 and ESS20154/2013 - ESS20161/2013) disclosed in this prospectus.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

## **2. Litigation**

Save as disclosed in the paragraph headed “Litigation, arbitration and potential claims” under the section headed “Business” of this prospectus, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

## **3. Sponsor**

The Sponsor has, on behalf of our Company, made an application to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein and our Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and the exercise of the Offer Size Adjustment Option. All necessary arrangements have been made to enable such shares to be admitted into CCASS.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

## **4. Preliminary expenses**

The preliminary expenses of our Company are estimated to be approximately HK\$11,700 and are payable by our Company.

## **5. Promoter**

There is no promoter of our Company.

## 6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Ample Capital Limited	A licensed corporation under the SFO to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities (as defined under the SFO)
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Appleby	Cayman Islands attorneys-at-law
Loong & Yeung	Legal advisers of our Company as to Hong Kong laws
Mr. Chan Chung	a Barrister-at-law in Hong Kong, our legal counsel as to Hong Kong laws

## 7. Consents of experts

Each of Ample Capital Limited, HLB Hodgson Impey Cheng Limited, Appleby, Loong & Yeung and Mr. Chan Chung has given and has not withdrawn his/its written consent to the issue of this prospectus with the inclusion of his/its reports and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

## 8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

## 9. Taxation of holders of Shares

### (a) Hong Kong

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

### (b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

**10. No material adverse change**

Our Directors confirm that there has not been any material adverse change in the financial trading position or prospects of our Group since 31 March 2013 (being the date to which the latest audited combined financial statements of our Group were made up).

**11. Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash; and
  - (ii) no discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and
  - (iii) 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.
- (b) Save as disclosed in this prospectus, neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “Consents of experts” in this appendix:
- (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.
- (d) The branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered

by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.

- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) We have no outstanding convertible debt securities.
- (h) Our Directors have been advised that, under the laws of the Cayman Islands, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with our English name does not contravene Cayman Islands law.
- (i) The English text of this prospectus shall prevail over the Chinese text.

## **12. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of **WHITE** and **YELLOW** and **GREEN** Application Forms, the written consents referred to in the paragraph headed “Consents of experts” in Appendix IV to this prospectus and copies of the material contracts referred to in the paragraph headed “Further Information about the business — Summary of material contracts” in Appendix IV to this prospectus.

**B. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Loong & Yeung of Suites 2001–2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the accountants’ report from HLB Hodgson Impey Cheng Limited 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 from HLB Hodgson Impey Cheng Limited in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) such audited statutory financial statements as have been prepared for the companies comprising our Group for each of the three financial years ended 31 March 2013;
- (e) the Companies Law;
- (f) the letter prepared by Appleby summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus;
- (g) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix IV to this prospectus;
- (h) the written consents referred to in the paragraph headed “Consent of experts” in Appendix IV to this prospectus;
- (i) the legal opinion prepared by our Company’s legal advisers as to Hong Kong laws relating to the diesel fuel and cement long-term supply contract of our Group;
- (j) the legal advice prepared by our Company’s legal counsel as to Hong Kong laws relating to the Group’s certain non-compliance with section 122 of the Companies Ordinance;
- (k) the legal advice prepared by our Company’s legal counsel as to Hong Kong laws relating to the Group’s other non-compliance with the laws of Hong Kong; and
- (l) the rules of the Share Option Scheme.

**Ngai Shun Holdings Limited**  
**毅信控股有限公司**