

SAM WOO CONSTRUCTION GROUP LIMITED

三和建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code : 3822)



Placing and Public Offer

Sponsor



IMPORTANT

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

SAM WOO CONSTRUCTION GROUP LIMITED

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(Incorporated in the Cayman Islands with limited liability)

PLACING AND PUBLIC OFFER

Total number of Offer Shares under the Share Offer	: 100,000,000 Shares
Number of Public Offer Shares	: 10,000,000 Shares (subject to adjustment)
Number of Placing Shares	: 90,000,000 Shares (subject to adjustment)
Offer Price	: Not more than HK\$1.50 per Offer Share and expected to be not less than HK\$1.00 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund on final pricing)
Nominal value	: HK\$0.01 per Share
Stock code	: 3822

SPONSOR



JOINT BOOKRUNNERS AND JOINT LEAD MANAGERS



CO-LEAD MANAGERS



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

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

The Price Determination Date is expected to be fixed by agreement between the Joint Lead Managers, for themselves and on behalf of the Underwriters, and our Company on or around Wednesday, 8 October 2014 or such later time as may be agreed between the parties, but in any event, no later than Friday, 10 October 2014. If, for any reason, the Joint Lead Managers, for themselves and on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by Friday, 10 October 2014, the Share Offer will not proceed and will lapse immediately. The Offer Price will be not more than HK\$1.50 per Offer Share and is currently expected to be not less than HK\$1.00 per Offer Share unless otherwise announced. The Joint Lead Managers, for themselves and on behalf of the Underwriters, may, with the consent of our Company, reduce the number of Offer Shares being offered and/or the indicative Offer Price range below that stated in this prospectus (being HK\$1.00 per Offer Share to HK\$1.50 per Offer Share) at any time on or prior to the morning of the last date for lodging applications under the Public Offer. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.samwoo-group.com as soon as practicable but in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer. For further information, please refer to the sections headed "Structure and Conditions of the Share Offer" and "How to apply for the Public Offer Shares and Employee Reserved Shares" in this prospectus.

Prior to making investment decisions, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" of this prospectus.

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

29 September 2014

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EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Public Offer, we will issue an announcement in Hong Kong to be published in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.samwoo-group.com.

2014^(Note 1)

- Latest time for lodging **PINK** Application Forms at our Company's head office at Unit 1310-13, 13th Floor, 113 Argyle Street, Mongkok, Kowloon, Hong Kong. 12:00 noon on Monday, 6 October
- Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at www.hkeipo.hk (note 2). 11:30 a.m. on Tuesday, 7 October
- Application lists for the Public Offer open (note 3) 11:45 a.m. on Tuesday, 7 October
- Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) 12:00 noon on Tuesday, 7 October
- Latest time for lodging **WHITE**, and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC (note 4). 12:00 noon on Tuesday, 7 October
- Application lists for the Public Offer close (note 3) 12:00 noon on Tuesday, 7 October
- Expected Price Determination Date (note 5) Wednesday, 8 October
- Announcement of the Offer Price, the level of applications in the Public Offer, the indication of the levels of interest in the Placing and the results of applications and basis of allocation of the Public Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.samwoo-group.com on or before Wednesday, 15 October
- Announcement of results of allocations in the Public Offer and the Employee Preferential Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the paragraph headed "Publication of results" of the section headed "How to Apply for the Public Offer Shares and Employee Reserved Shares" in this prospectus from Wednesday, 15 October

EXPECTED TIMETABLE

2014^(Note 1)

Results of allocations in the Public Offer will be available
at www.tricor.com.hk/ipo/result with a “search by ID”
function from Wednesday, 15 October

Despatch/collection of Share certificates in respect of wholly or partially
successful applications under the Public Offer on
or before (*note 6*) Wednesday, 15 October

HK eIPO White Form e-Auto Refund payment instructions/refund
cheques in respect of wholly successful (if applicable) or wholly
or partially unsuccessful applications under the Public Offer to be
despatched on or before (*notes 6 and 7*) Wednesday, 15 October

Dealings in Shares on the Main Board of the Stock Exchange
expected to commence at 9:00 a.m. on Thursday, 16 October

Notes:

- (1) All dates and times refer to Hong Kong dates and time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.
- (2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained 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 monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 7 October 2014, the application lists will not open or close on that day. Further information is set out in the paragraph headed “Effect of Bad Weather on the Opening of the Application Lists” of the section headed “How to Apply for the Public Offer Shares and Employee Reserved Shares” in this prospectus.
- (4) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “Applying by Giving Electronic Application Instructions to HKSCC via CCASS” of the section headed “How to Apply for the Public Offer Shares and Employee Reserved Shares” in this prospectus for details.
- (5) The Price Determination Date on or around Wednesday, 8 October 2014, but in any event, will not be later than Friday, 10 October 2014. If, for any reason, the Offer Price is not agreed between the Joint Lead Managers, for themselves and on behalf of the Underwriters, and our Company by Friday, 10 October 2014, the Share Offer will not proceed.
- (6) Eligible Employees who apply for 100,000 Employee Reserved Shares or more under the Employee Preferential Offering or applicants who apply for 1,000,000 Public Offer Shares or more under the Public Offer, and have provided all information required, may collect your refund cheque(s) (if applicable) and/or Share certificate(s) (if applicable) in person from our Hong Kong Share Registrar, may do so in person from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 October 2014. Eligible Employees who apply for 100,000 Employee Reserved Shares or more under the Employee Preferential Offering or applicants being individuals who are applying for 1,000,000 Public Offer Shares or more, and opt for personal collection must not authorise any other person to make collection on their behalf. Any applicant being a corporation who is applying for 1,000,000 Public Offer Shares or more and opt for personal collection must attend by its authorised representative bearing a letter of authorisation from the corporation stamped with the corporation’s chop. For individuals and authorised representatives of corporate applicants, identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar must be produced at the time of collection. Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post at the applicants’ own risk to the addresses specified on the relevant Application Forms.

EXPECTED TIMETABLE

- (7) Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications, 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, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. If you apply through the **HK eIPO White Form** services by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** services by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated website (www.hkeipo.hk) by ordinary post and at your own risk. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

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

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

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any jurisdiction other than Hong Kong or in any other circumstances.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of 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. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of technical terms” of this prospectus.

OVERVIEW

Our Group is an established contractor in the Hong Kong foundation industry. Our Group is principally engaged in the provision of (i) foundation works, including the construction of bored piles, rock socketed H-piles and excavation and lateral support works; and (ii) ancillary services, including site investigation and removal of installed piles.

Through SW Bore Pile, a principal operating subsidiary, our Group is (i) an approved supplier of materials and specialist contractor for public works – land piling (Group II), large diameter bored pile (with bell-out) with the Development Bureau; (ii) a piling contractor under the large diameter bored piling category with the Housing Authority; and (iii) a registered specialist contractor under the foundation works category with the Buildings Department. SW Foundation (Macau), the operating subsidiary of our Group in Macau, is approved by the DSSOPT as a construction contractor in Macau.

Historically and up until the year ended 31 March 2012, our Group undertook foundation works and ancillary services for construction projects in Hong Kong only. Subsequently in December 2012, our Group entered into the Macau construction market and was awarded a contract for foundation works and ancillary services based in Macau, namely the Hotel Tower Project.

Since the commencement of the Track Record Period and up to the Latest Practicable Date, we have been awarded and/or undertaken a total of 16 projects involving foundation works and ancillary services, which consisted of 13 Hong Kong based projects and three Macau based projects. As at the Latest Practicable Date, the awarded contract sum for the contracts on hand (including contracts in progress and contracts of which our work has yet to commence) amounted to approximately HK\$1,348.6 million, of which approximately HK\$462.8 million were related to the Composite Development Project. Our Group was awarded with the foundation works and ancillary services contract for the Composite Development Project in January 2014, the original estimated completion of which was in or around January 2015. However, the Composite Development Project was delayed as the construction licence for the Composite Development Project was only granted in August 2014 and the main contractor of the Composite Development Project expects the quotas for non-Macau resident construction workers to be granted by the Human Resources Office of the Macau Government in or around two months from the date of application (i.e. in or around October 2014). As at the Latest Practicable Date, the Human Resources Office of the Macau Government has yet to grant quotas for non-Macau resident construction workers for the Composite Development Project. For details of our contracts on hand as at the Latest Practicable Date, please refer to the section headed “Business – Contracts on Hand” of this prospectus. Furthermore, from time to time, our Group is also engaged in the business of leasing machinery and equipment.

According to the Ipsos Report, Government policies and its public expenditure on infrastructure projects, including the “Ten Major Infrastructure Projects”, macroeconomic factors such as demand for residential buildings, commercial and retail space will affect the level of construction activities in Hong Kong. Similarly, the level of construction activities in Macau are driven by the investment in infrastructure and demand for residential accommodation as well as private projects in Macau, such as casino and hotel development projects. Please refer to the section headed “Industry Overview” in this prospectus for further details.

SUMMARY

The following table sets out a breakdown of our Group's revenue by geographic locations for the Track Record Period: –

Revenue (Note 1)	For the year ended 31 March					
	2012		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Foundation works and ancillary services						
– Hong Kong	98,428	100.0	334,807	89.2	37,335	7.6
– Macau (Note 2)	–	–	40,340	10.8	455,399	92.4
	98,428	100.0	375,147	100.0	492,734	100.0

Notes:

- Revenue from foundation works and ancillary services is recognised based on the stage of completion of the contracts. The stage of completion is measured by reference to the work performed to date as a percentage of total contract value.
- Revenue derived from foundation works and ancillary services projects based in Macau during the Track Record Period was primarily related to the Hotel Tower Project. Our Group derived revenue of approximately HK\$40.3 million and HK\$434.6 million from the Hotel Tower Project for the two years ended 31 March 2014, respectively.

The following table sets out the revenue, gross profit and gross profit margin derived by our Group from the Hotel Tower Project and other projects of our Group respectively:

Project	Revenue recorded during the Track Record Period HK\$'000	Gross profit of project(s) during the Track Record Period HK\$'000	Gross profit margin of project(s) during the Track Record Period %
Hotel Tower Project	474,921	176,452	37.2
Other projects (Note)	491,388	124,464	25.3
Total	966,309	300,916	31.1

Note: The revenue and gross profit of other projects include all projects, save for the Hotel Tower Project, undertaken by our Group during the Track Record Period as well as those derived from the Previous Projects during the Track Record Period.

The following table sets out a breakdown of our Group's revenue by our role, namely a main contractor, a subcontractor or a sub-subcontractor, for foundation works and ancillary services projects during the Track Record Period:

Revenue by our Group's role	For the year ended 31 March					
	2012		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	5,350	5.4	200,207	53.4	449,599	91.2
Subcontractor (Note)	82,662	84.0	166,936	44.5	21,924	4.4
Sub-subcontractor	10,416	10.6	8,004	2.1	21,211	4.3
	98,428	100.0	375,147	100.0	492,734	100.0

Note: Included in the revenue derived from foundation works and ancillary services projects where our Group acted as a subcontractor was approximately HK\$2.5 million and HK\$15.1 million related to the First Previous Project and the Second Previous Project, respectively.

SUMMARY

HISTORICAL RELATIONSHIP BETWEEN SW HOLDINGS AND OUR CONTROLLING SHAREHOLDER, MR. LAU

The history of our Group can be traced back to the 1970s when Mr. Lau, the Chairman and founder of our Group, was principally engaged as a sole proprietor in, amongst others, trading of machinery and equipment in the name of Sam Woo Engineering Works with his own resources. In 1980, Mr. Lau set up SW Engineering Equipment to carry out the trading and leasing of mainly construction machinery and equipment. With the rapid growth in the building and construction industry in Hong Kong which led to an increase in demand for bored piling works, Mr. Lau expanded his business in the foundation industry and set up SW Bore Pile in 1990.

After the establishment of SW Bore Pile in 1990, SW Bore Pile and its associated group companies successfully completed various foundation projects for both the private and public sectors in Hong Kong and their success led to their listing on the Main Board of the Stock Exchange in 2003 with SW Holdings as their holding company under stock code 2322.

Subsequently in October 2010, in view of the weak economic environment, continued price pressure and intense competition, the then directors of SW Holdings made a strategic decision to discontinue its foundation works and ancillary services business by the disposal of SW (BVI), being the investment holding which owned the entire interest in the principal operating subsidiaries under the SW Foundation Segment, which resulted in a gain to SW Holdings Group.

Subsequent to the completion of the acquisition of the entire interest of SW (BVI) by Actiease Assets, Actiease Assets disposed of all of its equity interests in SW Holdings Group to an independent third party and each of Mr. Lau, Ms. Leung, Mr. Lau Chun Kwok and Mr. Lau Chun Ka ceased his/her directorship in SW Holdings Group. Meanwhile, our Group continued to carry out foundation works and ancillary services and occasionally, leased out machinery and equipment.

Further details of the history of our Group are set out under the paragraph headed under “History and Corporate Structure - Business and Corporate Development” in this prospectus.

OUR LICENCE / REGISTRATION

The foundation industry in Hong Kong and Macau are regulated by various rules and regulations, details of which are set out in the section headed “Laws and Regulations” in this prospectus. The following table sets out the relevant licences and registrations in Hong Kong which our Group is approved for:

Registration/Listing	Period of validity
Development Bureau Specialist List (Group II) in large diameter bored pile (with bell-out)	<i>Note 1</i>
Housing Authority List of Piling Contractors (large diameter bored piling category) – Probation	<i>Note 2</i>
Buildings Department Registered Specialist Contractor – Foundation Category	7 June 2012 to 7 June 2015

Notes:

- (1) Listing with the Development Bureau does not have any expiry date. The specified maximum contract value in respect of the Development Bureau Specialist List (Group II) in large diameter bored pile (with bell-out) under Land Piling is unlimited. For retention on the “List of Approved Suppliers of Materials and Specialist contractors for Public Works”, a contractor should generally possess at least a positive capital value and is required to maintain certain minimum levels of employed and working capital applicable to the appropriate category and group. SW Bore Pile, which belongs to Group II of the “Land Piling” category, is required to have a minimum employed capital of HK\$9.3 million and a minimum working capital of HK\$8.6 million.

SUMMARY

- (2) Listing with the Housing Authority is subject to annual review for retention. Based on the “Guide to Registration of Works Contractors and Property Management Services Providers” published by the Housing Authority, (i) contractors of the large diameter bored piling category are eligible to tender for contracts of unlimited values using the pile type provided belonging to its category provided such pile type is an acceptable pile type for the contracts; and (ii) contractors of the large diameter bored piling category are also eligible to tender for contracts of unlimited values using a pile type not belonging to the percussive pile category and the large diameter bored pile category provided such pile type is an acceptable pile type for the contracts.

A contractor on probationary status shall be restricted to undertake not more than two contracts at any one time.

- (3) The relevant registration with the Buildings Department does not specify any tender limit.

In Macau, contractors undertaking construction works are required to be registered as a construction contractor with the DSSOPT. Our registration with the DSSOPT is valid until 31 December 2014, when we intend to renew for the subsequent year.

COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths are as follows, each of which is discussed in more details in the paragraph headed “Business – Competitive Strengths” of this prospectus:

- We are an established foundation works contractor
- We have an experienced management team
- We have a broad range of machinery and equipment to carry out foundation works and ancillary services and the ability to modify these machinery and equipment, where required
- We have an experienced in-house maintenance team
- We possess patented techniques

SUMMARY

BUSINESS STRATEGIES

The business strategies of our Group are as follows, (i) continue to enhance our competitiveness in the foundation industry; (ii) compete for sizeable (i.e. projects with a contract sum of no less than HK\$100 million) and profitable foundation works and ancillary services projects; (iii) maintain an acceptable profit margin in our tenders and quotations; (iv) continue to expand our business operations in Hong Kong; (v) continue to expand our business operations in Macau; and (vi) keep abreast of developments in the construction industry of Hong Kong and Macau.

We also intend to (i) expand our fleet of machinery and equipment; and (ii) expand our workforce to grow our business and create value for our Shareholders.

FINANCIAL INFORMATION

The following is a summary of our Group's combined financial information derived from the combined statements of comprehensive income and combined balance sheets from the Accountant's Report for the years ended and as at 31 March 2012, 2013 and 2014, which is included in Appendix I to this prospectus. The summary below should be read in conjunction with the financial information included in the Accountant's Report in Appendix I to this prospectus, together with the accompanying notes.

Summary of Combined Statements of Comprehensive Income

	Year ended 31 March		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	98,428	375,147	492,734
Gross profit	32,692	102,590	165,634
Operating profit	27,796	71,411	139,054
Profit before income tax	25,996	68,271	129,895
Profit and total comprehensive income attributable to the equity holders of the Company	<u>24,208</u>	<u>55,622</u>	<u>127,086</u>

Summary of Combined Balance Sheets

	As at 31 March		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets	206,978	315,897	403,802
Current assets	61,852	138,951	223,670
Current liabilities	<u>(134,668)</u>	<u>(227,734)</u>	<u>(339,101)</u>
Net current liabilities	(72,816)	(88,783)	(115,431)
Total assets less current liabilities	134,162	227,114	288,371
Non-current liabilities	<u>(48,151)</u>	<u>(85,481)</u>	<u>(69,652)</u>
Net assets	<u>86,011</u>	<u>141,633</u>	<u>218,719</u>
Total equity	<u>86,011</u>	<u>141,633</u>	<u>218,719</u>

SUMMARY

Summary of Combined Statements of Cash Flows

	For the year ended 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Net cash generated from operating activities	19,532	83,270	88,126
Net cash used in investing activities	(10,735)	(58,132)	(95,130)
Net cash (used in)/generated from financing activities	(34,775)	(5,885)	41,980
	<hr/>	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(25,978)	19,253	34,976
Cash and cash equivalent at the beginning of the year	29,231	3,253	22,506
	<hr/>	<hr/>	<hr/>
Cash and cash equivalent at the end of the year	3,253	22,506	57,482
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Revenue

Revenue from our foundation works and ancillary services contracts is recognised based on the stage of completion. Our Group uses the “percentage-of-completion method” to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

During the Track Record Period, our Group recorded revenue of approximately HK\$98.4 million, HK\$375.1 million and HK\$492.7 million, respectively, representing year-on-year increases of approximately 281.2% and 31.4%, respectively. Our Group recorded a net profit of approximately HK\$24.2 million, HK\$55.6 million and HK\$127.1 million during the Track Record Period, representing year-on-year increases of approximately 129.8% and 128.6%, respectively.

Our Group provides foundation works and ancillary services to both the private sector and public sector. Our Group classifies public sector contracts as contracts in which the ultimate employer is a government department, statutory body or related organisation, or institutional body. During the Track Record Period, our Group generated approximately 5.4%, 98.7% and 100.0% of our revenue from foundation works and ancillary services in the private sector, respectively, with the remaining revenue of approximately 94.6%, 1.3% and nil from foundation works and ancillary services in the public sector, respectively.

Revenue of our Group has increased during the Track Record Period due to the increased contract value of foundation works and ancillary services performed by our Group during the years ended 31 March 2013 and 2014, which corresponded to the increase in construction activities in Hong Kong and Macau during the same period.

Please refer to the paragraph headed “Business – Foundation works and ancillary services projects” in this prospectus for details in respect of the foundation works and ancillary services projects completed during the Track Record Period and our Group’s contracts on hand as at the Latest Practicable Date.

SUMMARY

Concentration of customers

The number of foundation works and ancillary services projects that can be executed by our Group simultaneously is limited by our resources including the capacity of our machinery and equipment. Our strategy has therefore been to focus on deploying our resources towards competing for sizeable and profitable projects which has, in turn, inevitably resulted in a concentration of customers during the Track Record Period, in particular, our Group derived approximately 88.2% of our revenue for the year ended 31 March 2014 from one project, namely the Hotel Tower Project. For information on our major customers during the Track Record Period, please refer to paragraph headed “Business – Customers” in this prospectus.

As at the Latest Practicable Date, our Group has five contracts on hand, the awarded contract sum for these contracts on hand (including contracts in progress and contracts of which our work is yet to commence) amounted to approximately HK\$1,348.6 million. The largest contract sum out of the five contracts on hand, not taking into account contingent and/or provisional contract amounts, is approximately HK\$462.8 million, representing approximately 34.3% of the aggregate awarded contract sum for contracts on hand as at the Latest Practicable Date.

Notwithstanding the above, our Group has demonstrated over the Track Record Period that we have the ability to compete for foundation works and ancillary services contracts from new customers. Provided that we have sufficient capacity in the future, we intend to serve a larger number of customers and projects. In this regard, we plan to expand our capacity by (i) continuing to acquire additional foundation works related machinery and equipment; and (ii) increasing staff headcount.

SUMMARY

Cost of sales

Cost of sales mainly includes costs of construction materials, staff costs, consultancy fees, parts and consumables, subcontracting charges, transportation and others expenses, which is recognised and transferred from work-in-progress to the income statement based on the percentage of completion of the contract. Our most significant costs of sales are construction materials and staff costs. During the Track Record Period, (i) construction material costs amounted to approximately HK\$17.4 million, HK\$103.5 million and HK\$109.2 million respectively, representing approximately 26.5%, 38.0% and 33.4% of the cost of sales respectively; and (ii) staff costs amounted to approximately HK\$18.8 million, HK\$66.5 million and HK\$111.4 million, representing approximately 28.6%, 24.4% and 34.1% of the cost of sales respectively. The proportion of construction materials and staff costs in cost of sales depends on, among other factors, the design and requirements of foundation works and ancillary services projects and varies from project to project. In addition, our subcontracting charges amounted to approximately HK\$2.5 million, HK\$17.6 million and HK\$11.7 million, during the Track Record Period respectively, representing approximately 3.8%, 6.5% and 3.6% of the costs of sales respectively.

Concentration of suppliers for construction materials

We normally enter into contracts with our suppliers for construction materials, which mainly consists of concrete and steel, on a project-by-project basis. During the Track Record Period, our five largest suppliers of construction materials accounted for approximately 99.1%, 83.1% and 91.9% of our total purchases for the same periods, respectively.

Income tax expenses

For the two years ended 31 March 2014, our Group, through SW Foundation (Macau), derived revenue of approximately HK\$40.3 million and HK\$434.6 million from the Hotel Tower Project based in Macau, respectively. In connection with the Hotel Tower Project, SW Engineering Equipment (as lessor and for and on behalf of SW Bore Pile as its agent under the Machinery Agency Agreement) entered into the Machinery Lease Agreement with SW Foundation (Macau) whereby SW Foundation (Macau) was charged a monthly fee for leasing machinery and equipment from SW Engineering Equipment, which is considered to be tax deductible for the purposes of calculating Macau tax.

Hong Kong taxation

Based on each of the L&AY Hong Kong Tax Opinion and PwC Hong Kong Tax Opinion, the aforesaid intra-group leasing income should be considered to arise and be derived from outside Hong Kong and therefore not subject to Hong Kong tax, respectively.

SUMMARY

Given the above, our Group recorded income tax expenses of approximately HK\$2.8 million for the year ended 31 March 2014, of which (i) approximately HK\$3.0 million of tax expenses related to Macau profits tax; and (ii) approximately HK\$0.3 million of tax credits related to Hong Kong profits tax, represented an effective tax rate of approximately 2.2%. Please refer to the paragraph headed “Financial information – Income tax expenses” in this prospectus for further details.

The L&AY Hong Kong Tax Opinion sets out that the Machinery Lease Agreement is for the purpose of providing the leased machines, made available by SW Engineering Equipment and SW Bore Pile, for the use of SW Foundation (Macau) and the leasing income is a commercial consideration to reward the owner of the asset for providing the right of use to the lessee. The charging of the leasing income is not for the sole or dominant purpose of conferring a Hong Kong tax benefit to the parties involved, i.e. SW Engineering Equipment, SW Bore Pile or SW Foundation (Macau). As such, Lau & Au Yeung C.P.A. Limited is of the view that the Hong Kong tax benefit derived from the offshore claim of SW Engineering Equipment and SW Bore Pile is not the purpose of the Machinery Lease Agreement (including the Machinery Agency Agreement), it is merely part of the financial outcome of the lease agreement and therefore concludes that the Machinery Lease Agreement (including the Machinery Agency Agreement) cannot be challenged by sections 61 and 61A of the Inland Revenue Ordinance.

In addition, according to the PwC Hong Kong Tax Opinion, having considered factors including tax law and case law principles for the application of sections 61 and 61A of the Inland Revenue Ordinance, PricewaterhouseCoopers Limited is of the view that there is technical basis neither section 61 nor section 61A of the Inland Revenue Ordinance would have any application in the present case to the taxation of SW Engineering Equipment or SW Bore Pile in relation to income derived from the relevant leasing transactions under the Machinery Leasing Agreement.

Macau taxation

Based on the Macau Legal Opinion, SW Engineering Equipment and SW Bore Pile are not required to register with the Macau Finance Bureau for the purposes of Industrial Contribution and, according to articles 2 and 3 of the Complementary Income Tax Regulation, SW Engineering Equipment and SW Bore Pile would not be subject to taxation in Macau as neither would be deemed as conducting a commercial or industrial activity in Macau.

According to the Macau Legal Opinion, there are no anti-avoidance rules under the prevailing Macau tax law. The Macau Legal Adviser is of the view that the arrangements under the Machinery Lease Agreement would not be challenged by the relevant regulatory authorities in Macau and that the risk of Macau tax exposure arising from the intra-group transactions under the Machinery Lease Agreement is low.

Income tax expenses

Based on the L&AY Hong Kong Tax Opinion, the PwC Hong Kong Tax Opinion, the Macau Legal Opinion and the PwC Macau Tax Opinion, (i) none of SW Engineering Equipment or SW Bore Pile has provided for any Hong Kong or Macau tax in connection with the income derived from the Machinery Lease Agreement (including that under the Machinery Agency Agreement); and (ii) the leasing fees paid by SW Foundation (Macau) under the Machinery Lease Agreement is considered to be tax deductible when calculating our Group’s Macau tax exposure, for each of the years ended 31 March 2013 and 2014 respectively.

SUMMARY

Notwithstanding the L&AY Hong Kong Tax Opinion, the PwC Hong Kong Tax Opinion, the Macau Legal Opinion and the PwC Macau Tax Opinion, there is no assurance that the tax authorities of Hong Kong and/or Macau will not have a different interpretation of the relevant tax provisions and/or the circumstances of the arrangements under the Machinery Lease Agreement (including the Machinery Agency Agreement), and thus challenge and not accept our Group's submitted tax positions arising from the arrangements under the Machinery Lease Agreement (including the Machinery Agency Agreement). Under such circumstances, (i) in respect of Hong Kong tax, our Company will consider lodging notice of objection in writing to the Inland Revenue Department, appealing to the board of review and/or to the courts of Hong Kong; and (ii) in respect of Macau tax, our Company will consider filing an administrative complaint to the Macau Finance Bureau in respect of their decision or act and request such decision or act be modified or revoked, where considered appropriate, appeal to the Chief Executive of Macau via a hierarchical appeal and/or file a judicial appeal to the Administrative Court of Macau and higher courts of Macau against such decision of the Macau tax authorities. In the event our Group proceeds and fails with its objection(s) and/or appeal(s) with the relevant tax authorities in Hong Kong and/or Macau, our Group may be liable for additional tax expenses.

Deed of Indemnity in connection with the Machinery Lease Agreement (including the Machinery Agency Agreement)

The Controlling Shareholders have executed the Deed of Indemnity with and in favour of our Company, to provide indemnities to our Group in relation to, among others, taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Share Offer becomes unconditional, save for tax liabilities which have already been provided for in the audited accounts of our Company and our subsidiaries as at and up to 31 March 2014. Further details of the Deed of Indemnity, including a sum of HK\$20.0 million to be deposited by the Controlling Shareholders before the Listing Date into a bank account maintained by our Group solely for the purpose of settling any claim and/or legal costs for which our Group may become liable to pay, by reason of or in connection with any transaction contemplated in or carried out pursuant to the Machinery Lease Agreement and the Machinery Agency Agreement before the Listing Date, have been set out under the paragraphs headed "Business – Deed of Indemnity in connection with the Machinery Lease Agreement (including the Machinery Agency Agreement)" and "Statutory and General Information – 1. Estate duty, tax indemnity and other indemnities" in this prospectus. The said sum of HK\$20.0 million shall not be released and returned to the Indemnifiers until and after all claims, if any, related to the above have been concluded and fully settled and/or time-barred in both Hong Kong and Macau.

Net current liabilities

As at 31 March 2014, we had net current liabilities of approximately HK\$115.4 million, which was largely attributable to the increase in long-term bank loans due after one year to approximately HK\$110.1 million for the acquisition of machinery and equipment. Such loans contain repayment on demand clauses, which in accordance to the relevant accounting standards are classified under current liabilities. In addition, the current liabilities as at 31 March 2014 also consisted of obligations under finance leases due after one year of approximately HK\$8.4 million, as they contain repayment on demand clause, and such balance has also been classified under current liabilities as required under the relevant accounting standards.

Our net current liabilities position in the past exposes us to liquidity risks, details of which are set out in the paragraph headed "Risk Factors – Liquidity and net current liabilities" in this prospectus. Our future liquidity and the repayment of our outstanding debt obligations when they become due will primarily depend on our ability to maintain adequate cash inflows from operating activities and our ability to obtain adequate external financing.

SUMMARY

In light of our net current liabilities position as at 31 March 2014, subsequent to the Track Record Period and up to the Latest Practicable Date, our Group has agreed with several of our financiers to remove the repayment on demand clause in relation to certain outstanding borrowings to reduce the amount of long-term bank loans due after one year which contain repayment on demand clause from approximately HK\$110.1 million as at 31 March 2014 to approximately HK\$33.8 million as at 31 July 2014. In addition, our Group continued to discuss with our financiers to remove repayment on demand clause in respect of our long-term loans subsequent to 31 July 2014 with a view to further reduce our Group's overall net current liabilities position. For details of our loan facilities as at 31 July 2014, please refer to the paragraph headed "Financial Information – Expected financial resources of our Group" in this prospectus.

In addition, our Group had undrawn facilities of approximately HK\$217.0 million as at 31 July 2014. Our Directors believe that with the available facilities and the cash generated from our operating activities, we will be able to further improve our liquidity position in the future.

For further details, including reasons for our net current liabilities position and measures to improve our net current liabilities position, please refer to the paragraph headed "Financial information – Net current liabilities" in this prospectus.

In addition, our Directors intend to apply 10% of the net proceeds from the Share Offer, for general working capital. Our Group's future plans and use of proceeds are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus.

Net movement in cash and cash equivalent

Our cash inflow from operating activities is primarily generated from the provision of foundation works and ancillary services. Our cash outflow for operating activities is primarily related to staff costs, purchase of construction materials, subcontracting charges and administrative expenses. Our cash flow from operating activities is affected by a number of factors, which include the progress of foundation works and ancillary services projects and the settlement of trade receivables by our customers and trade payables by our Group. Our cash outflow for investing activities was primarily utilised to acquire machinery and equipment. Our cash inflow from investing activities was primarily derived from the disposal of machinery and equipment.

SUMMARY

During the Track Record Period, (i) our net cash generated from operating activities amounted to approximately HK\$19.5 million, HK\$83.3 million and HK\$88.1 million, respectively; and (ii) our net cash used in investing activities amounted to approximately HK\$10.7 million, HK\$58.1 million and HK\$95.1 million, respectively. The aforesaid increases over the Track Record Period are largely attributable to our business expansion, the increase in contract sum of the foundation works and ancillary services contracts undertaken by our Group and the increase in cash utilised to acquire machinery and equipment.

Our cash inflow from financing activities was primarily from drawdown of bank loans and drawdown from a Director and an immediate holding company. Our cash outflow for financing activities primarily consists of repayment of principal and interest for bank loans and finance leases and repayment of balances due to a Director and an immediate holding company.

During the year ended 31 March 2014, our net cash generated from financing activities amounted to approximately HK\$42.0 million, which was largely attributable to the net effect of the drawdown and repayment of long-term and short-term bank loans as well as a dividend payment of HK\$50.0 million. The net cash used in financing activities during the year ended 31 March 2013 was mainly attributable to the net effect of (i) the drawdown of long-term and short-term bank loans of approximately HK\$89.0 million and HK\$81.8 million, respectively; (ii) the repayment of long-term and short-term bank loans of approximately HK\$11.6 million and HK\$31.9 million, respectively; and (iii) the net effect of the repayment of advances to a Director of approximately HK\$142.9 million and the drawdown from a Director of approximately HK\$32.8 million. During the year ended 31 March 2012, the net cash used in financing activities was mainly attributable to the net effect of the drawdown and repayment of advances to a Director of approximately HK\$104.0 million and HK\$119.3 million.

Selected financial ratios

The following table sets forth the selected financial ratios of our Group for the years and as at the dates as indicated:

Selected Ratios	Formulae	As at/for the year ended 31 March		
		2012	2013	2014
Return on assets	Net profit/total assets x 100%	9.0%	12.2%	20.3%
Return on equity	Net profit/total equity x 100%	28.1%	39.3%	58.1%
Net profit margin	Net profit/revenue x 100%	24.6%	14.8%	25.8%
Gearing ratio	Net debt/total equity (<i>Note</i>)	1.65 times	1.23 times	1.10 times
Current ratio	Current assets/current liabilities	0.46 times	0.61 times	0.66 times
Quick ratio	(Current assets – inventories)/current liabilities	0.43 times	0.61 times	0.66 times
Interest coverage	Operating profit/finance costs	15.44 times	22.74 times	14.27 times

Note: Net debt is calculated as total borrowings less cash and bank balances. Total borrowings included bank overdrafts, bank loans, obligations under finance leases and amount due to a Director. Cash and bank balances included cash and cash equivalents and those restricted bank balances pledged for security of a revolving loan.

SUMMARY

Our improved return on assets ratio and return on equity ratio over the Track Record Period were primarily attributable to the increase in the value of foundation works and ancillary services contracts completed by our Group and certified by our customers or authorised persons employed by our customers, which in turn increased our net profit and the rate of increase in our net profit over the Track Record Period exceeds the rate of increase in our total assets over the same period.

The increase in the net profit margin from approximately 14.8% for the year ended 31 March 2013 to approximately 25.8% for the year ended 31 March 2014 was mainly attributable to the combination of the increase in revenue, higher gross profit margin which is primarily attributable to the Hotel Tower Project and a stable level of administrative expenses. Our net profit margin of approximately 24.6% for the year ended 31 March 2012 decreased to approximately 14.8% for the year ended 31 March 2013 was mainly attributable to the combination of (i) the Express rail link projects 1 and 2 commanded a higher average gross profit margin than the average gross profit margin of the foundation work and basement excavation project in Wong Tai Sin and the logistics centre project in Tsing Yi; (ii) other income of approximately HK\$14.8 million from our business of leasing machinery and equipment for the year ended 31 March 2012 compared to nil for year ended 31 March 2013; (iii) the relatively higher administrative expenses for the year ended 31 March 2013 which was mainly attributable to higher professional fees incurred for the initial public offering; (iv) higher income tax expense for the year ended 31 March 2013 due to the increase in assessable profits; and (v) the utilisation of accumulated tax credit not previously recognised for the year ended 31 March 2012.

Our gearing decreased over the Track Record Period as the total equity of our Group increased notably as we have recorded profit and total comprehensive income attributable to equity holders of the Company of approximately HK\$24.2 million, HK\$55.6 million and HK\$127.1 million for each of the year ended 31 March 2012, 2013 and 2014, respectively.

For further analysis, please refer to the paragraph headed “Financial Information – Analysis of selected financial ratios” in this prospectus.

SUMMARY

RECENT DEVELOPMENT OF OUR GROUP SUBSEQUENT TO THE TRACK RECORD PERIOD

Our Group has continued to develop its foundation works and ancillary services operation after the Track Record Period. As at the Latest Practicable Date, the awarded contract sum for the contracts on hand (including contracts in progress and contracts of which our work is yet to commence) amounted to approximately HK\$1,348.6 million of which approximately HK\$462.8 million were related to the Composite Development Project. Our Group was awarded with the foundation works and ancillary services contract for the Composite Development Project in January 2014, the original estimated completion was in or around January 2015. However, the Composite Development Project was delayed as the relevant construction licence was only granted by the Macau Government in August 2014. As at the Latest Practicable Date, the application for quotas for non-Macau resident construction workers has been submitted but not yet granted by the Human Resources Office of the Macau Government. Further details of these contracts are set out in the paragraph headed “Business – Contracts on hand” in this prospectus.

Based on our unaudited management accounts, the unaudited monthly average revenue for the four months ended 31 July 2014 was higher than the monthly average revenue for the year ended 31 March 2014, which was mainly due to revenue derived in April, May, June and July 2014 from the multi-storey logistics centre project at Tsing Yi and the Hotel Casino Project. The aggregate contract sum (excluding contingent and provisional contract amounts) of these two projects is approximately HK\$646.8 million.

During the Track Record Period and as at the Latest Practicable Date, our Group was engaged in two arbitration proceedings in Hong Kong. Owing to the relevant terms of the contracts between us and the counter parties of the arbitration proceedings, the Arbitration Ordinance (Chapter 609 of the Laws of Hong Kong) and the relevant arbitral rules, all information about the arbitrations must remain confidential. Taking into account the respective amount contested in these two arbitration proceedings and the nature of the arbitration proceedings, our Directors are of the views that these two arbitration proceedings does not have any material financial and operation impact on our Group. On the other hand, pursuant to the Deed of Indemnity, our Controlling Shareholders have irrevocably and unconditionally, jointly and severally, agreed to indemnify our Group against, among others, all loss and damages arising from these arbitration proceedings before the Listing Date.

Save as disclosed under the paragraph headed “Business – Legal and Administrative Proceedings”, as at the Latest Practicable Date, no member of our Group nor any of our Directors was subject to any claim, litigation, arbitration, bankruptcy, receivership proceedings, which is of material importance to our Group. Save for the potential claims set out under the paragraph headed “Business – Potential claims and litigations against our Group as at the Latest Practicable Date”, our Group or any of our Directors is not threatened by any potential claim, litigation, arbitration, bankruptcy or receivership proceeding, which is of material importance.

The total indebtedness of our Group as at 31 July 2014, being the Latest Practicable Date for determining the amount of indebtedness in this prospectus, totalled to approximately HK\$399.9 million. Further details of material changes to our Group’s indebtedness subsequent to the Track Record Period and up to the Latest Practicable Date are set out under the paragraph headed “Financial Information – Net current liabilities” in this prospectus.

Our Directors confirm that, up to the date of this prospectus, save for the increase in our indebtedness from approximately HK\$336.7 million as at 31 March 2014 to approximately HK\$399.9 million as at 31 July 2014, there has been no material adverse change in our financial or trading position or prospects since 31 March 2014, being the date to which our latest audited financial information were prepared. Further details of our Group’s indebtedness position have been set out under the paragraph headed “Financial Information – Indebtedness” in this prospectus.

SUMMARY

Contracts on hand

The following table sets forth our Group's contracts on hand as at Latest Practicable Date:

Project	Location	Category	Role	Types of work	Estimated duration (Note 1) (approx. number of months)	Value of work certified and recognised as revenue up to the Latest Practicable Date (Note 2) (approx. HK\$M)	Percentage of work certified as at the Latest Practicable Date (Note 2)	Type of contract	Contract sum (Note 3) (approx. HK\$M)	Outstanding contract sum as at the Latest Practicable Date (Note 3) (approx. HK\$M)
Composite Development Project	Novos Aterros da Areia Preta, Macau	Private	Subcontractor	bored piles	commenced work in February 2014 and the estimated completion date is to be determined	0.8	0.2%	Build only	462.8 (MOP 477.1)	462.0
Multi-storey logistic centre	Tsing Yi	Private	Main contractor	bored piles, pile cap and lateral support works	February 2014 to October 2014 (9 months)	200.0	68.3%	Design and build	292.7	92.7
Hotel Casino Project	Cotai, Macau	Private	Sub-subcontractor	bored piles	February 2014 to December 2014 (10 months)	239.8	67.7%	Build only	354.1 (MOP365.0)	114.3
Shatin to Central rail link project	Diamond Hill	Public	Subcontractor	bored piles	May 2014 to December 2014 (8 months)	36.6	63.1%	Build only	58.0	21.4
Hong Kong boundary crossing facilities	Lantau Island	Public	Subcontractor	bored piles	August 2014 to April 2015 (9 months)	nil	nil	Build only	181.0	181.0
									<u>1,348.6</u>	<u>871.4</u>

Notes:

- (1) The commencement of estimated duration of the respective projects are based on letter of award, payment or valuation certificate issued by authorised persons employed by our customers.
- (2) As set out in the Accountant's Report in Appendix I, our Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

The work performed to date as a percentage of total contract value is based on the certificates issued by our customer on the respective projects. It represents the amount of works certified as a percentage of the original contract sum. However, due to the timing difference between the monthly cut-off date of payment applications of the contracts on hand and the certification of our works by our customers or authorised persons employed by our customers, revenue recognised up to the Latest Practicable Date only include our work which have been certified.

- (3) Contract sum and outstanding contract sum as at the Latest Practicable Date exclude all contingent and/or provisional contract amounts set out in the respective contracts, if any. A provisional sum is a sum of money provided in the contract bills by the employer for costs which cannot be entirely foreseen, defined or detailed at the time the tendering documents are issued. A contingency sum is an amount of money set aside by the employer to cover additional costs incurred for unforeseen works.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer but without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, our Controlling Shareholders will together control the exercise of 75% of the voting rights at general meetings of our Company.

Actiease Assets is 100% owned by Silver Bright which is a company 100% held by Managecorp Limited as trustee of the Unit Trust. The entire issued units of the Unit Trust are held by Nautilus Trustees as trustee of the Family Trust. The Family Trust is a discretionary trust established by Mr. Lau as settlor and the beneficiary of which is Ms. Leung.

SUMMARY

As at the Latest Practicable Date, apart from the business operated by members of our Group, our Controlling Shareholders and their respective associates and/or companies controlled by them do not have any interests in any form of business that competes or is likely to compete, directly or indirectly with the business of our Group.

EMPLOYEE PREFERENTIAL OFFERING

Up to 1,000,000 Employee Reserved Shares, representing 1% of the Offer Shares, are available for subscription by the Eligible Employees on a preferential basis. Directors and directors of any of our subsidiaries and their respective Affiliates shall not apply for Employee Reserved Shares under the Employee Preferential Offering, and they shall not apply for Public Offer Shares as members of the public in the Public Offer or apply for or indicate an interest in acquiring the Placing Shares under the Placing. All Eligible Employees may apply for Public Offer Shares in the Public Offer and the Employee Preferential Offering but may not apply for or indicate an interest in acquiring Placing Shares under the Placing. For further details, see “How to Apply for the Public Offer Shares and Employee Reserved Shares” in this prospectus.

LISTING EXPENSES

The total amount of listing expenses and commissions will be borne by us in connection with the Share Offer is estimated to be approximately HK\$28.0 million.

We incurred approximately HK\$9.6 million of listing expenses during the Track Record Period, which was recorded under administrative expenses. We expect to incur additional listing expenses of approximately HK\$18.4 million after the Track Record Period, of which approximately HK\$10.1 million is expected to be recognised as administrative expenses in the consolidated statements of comprehensive income for the year ending 31 March 2015 and the remaining balance is expected to be capitalised after Listing.

OFFERING STATISTICS

	Based on the minimum indicative Offer Price of HK\$1.00 per Share	Based on the maximum indicative Offer Price of HK\$1.50 per Share
Market capitalisation at Listing (<i>Note 1</i>)	HK\$400.0 million	HK\$600.0 million
Unaudited pro forma adjusted net tangible assets per Share (<i>Note 2</i>)	0.75	0.88

Notes:

- (1) The calculation of our market capitalisation is based on 400,000,000 Shares which will be in issue immediately following completion of the Share Offer, but takes no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed “Share Capital” in this prospectus.
- (2) The unaudited pro forma net tangible assets per Share is calculated after the adjustments referred to in the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus and on the basis of a total 400,000,000 Shares were in issue assuming that the Share Offer has been completed on 31 March 2014 but takes no account of any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed “Share Capital” in this prospectus).

SUMMARY

USE OF PROCEEDS

We intend to implement the following future plans to grow our business and create value for our Shareholders by applying the aggregate net proceeds from the Share Offer (after deducting underwriting fees and estimated total expenses paid and payable by us in connection thereto) estimated to be approximately HK\$97.0 million in the following manner:

- (1) approximately HK\$87.3 million or approximately 90% of the net proceeds to acquire and/or partly finance the expansion of our fleet of machinery and equipment of which approximately HK\$43.7 million and HK\$43.6 million or approximately 45.1% and 44.9% of the net proceeds is intended for the acquisition and/or part finance of machinery and equipment with respect to ongoing project(s) and future projects respectively, including four crawler cranes, four oscillators and four reverse circulation drills, on or before 31 March 2016 from Asian and/or European machinery suppliers; and
- (2) approximately HK\$9.7 million or approximately 10% of the net proceeds will be used as general working capital of our Group.

The above is based on the Offer Price of HK\$1.25 per Share, being the mid-point of the proposed Offer Price range.

DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation up to and including the Latest Practicable Date. Notwithstanding the above, SW (BVI) declared a non-recurring final dividend of HK\$50.0 million out of its distributable reserves to its shareholder for each of the years ended 31 March 2013 and 2014 respectively, namely Actiease Assets. SW (BVI) made full payment of the final dividend for each of the years ended 31 March 2013 and 2014 of HK\$50.0 million in August 2013 and September 2014 respectively from its internal resources.

After completion of the Share Offer, our Shareholders will be entitled to receive dividends declared by us. However, our Group currently does not have a fixed dividend policy and the declaration of, payment of and amount of, dividends will be subject to the discretion of our Directors in accordance with our Articles of Association and will be dependent upon our future operations and earnings, financial condition, capital requirements and surplus, payments by subsidiaries of cash dividends to us and other factors that our Directors deem relevant. In addition, our Controlling Shareholders may, subject to the Articles of Association, influence our dividend policy.

Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution policy and there is no guarantee that dividends will be paid in the future. After completion of the Share Offer, our Directors' priority will be to retain earnings in order to facilitate capital growth and expansion of our Group.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

During the Track Record Period and as at the Latest Practicable Date, our Group had been and is involved in a number of claims, litigations and arbitrations. The details of which are set out under the paragraph headed "Business – Legal and administrative proceedings" in this prospectus.

SUMMARY

RISK FACTORS

There are certain risks involved in our operations which are beyond our control. They can be broadly categorised into risks relating to our business, the foundation industry, doing business in Hong Kong and Macau, and the Share Offer. Prospective investors should refer to the risk factors, as set out under the section headed “Risk Factors” of this prospectus, prior to making a decision to invest in the Offer Shares.

While any of the risks and uncertainties could have a material adverse effect on our business, financial condition and results of operations or the trading price of the Shares and could cause our Shareholders to lose all or a portion of their investment. Prospective investors should be aware of the major risk factors in relation to our operations, including that (i) our performance is dependent on the general economic conditions of the markets in which we operate which are cyclical in nature; (ii) the loss of or failure to obtain or renew any or all of the registrations and/or certifications of which our business operates under could materially and adversely affect our business; (iii) award of our foundation works and ancillary services contracts are subject to successful tenders or acceptable quotations; (iv) we have a concentration of customers during the Track Record Period; (v) our Group was in a net current liabilities position as at 31 March 2014 which exposed us to liquidity risk; (vi) the costs estimated by us for a particular contract at the tender or quotation stage may differ from actual costs incurred due to various factors including cost overruns, underestimates and other construction risks related to our projects; and (vii) our ability to compete for foundation works and ancillary services projects is limited by our machinery and equipment.

A detailed discussion of the risk factors set forth in the section headed “Risk Factors” in this prospectus.

DEFINITIONS

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

“Actiease Assets”	Actiease Assets Limited, a company incorporated in BVI with limited liability on 16 March 2001, the entire issued share capital of which is owned by Silver Bright, which is a company 100% held by Managecorp Limited as trustee of the Unit Trust whereby the entire issued units of which are held by Nautilus Trustees as trustee of the Family Trust
“Affiliate”	in relation to a director of any member of the Group means: <ul style="list-style-type: none">(i) a close associate (as defined in Rule 1.01 of the Listing Rules) of such director;(ii) any person whose acquisition of Shares has been financed directly or indirectly by such director or the close associate of such director; or(iii) any person who is accustomed to take instructions from such director or close associate of such director in relation to the acquisition, disposal, voting or other disposition of Shares registered in that person’s name or otherwise held by that person
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s), GREEN Application Form(s) and PINK Application Form(s), individually or collectively, as the context may require
“Appropriation Bill”	a bill which contains the estimated financial requirements for expenditure on all the services of the Government for the current or succeeding financial year
“Articles” or “Articles of Association”	the articles of association of our Company adopted on 15 September 2014 with effect from Listing and as amended from time to time, a summary of which is set out in the paragraph headed “Summary of the Constitution of our Company and Cayman Islands Companies Law – 2. Articles of Association” in Appendix III to this prospectus
“ASD”	Architectural Services Department, one of the departments of the Development Bureau, which provides professional and technical advice on all matters relating to public buildings (except public housing)
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Best Captain”	Best Captain Holdings Limited, a company incorporated in BVI with limited liability on 2 June 2010 and is wholly-owned by Mr. Lau

DEFINITIONS

“Board”	the board of Directors as at the date of this prospectus
“Building Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Buildings Department”	the Buildings Department of the Government
“Business Day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of new Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to under the paragraph headed “Statutory and General Information – Further information about our Company – Written resolutions of the sole Shareholder” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Cheer Crown”	Cheer Crown Limited (嘉勳有限公司), a company incorporated in Hong Kong with limited liability on 7 October 1983 and is beneficially owned as to 100% by Mr. Lau
“Cheer Profit”	Cheer Profit International Enterprise Limited (置利國際企業有限公司), a company incorporated in Hong Kong with limited liability on 26 November 2003 and is owned as to 50% by Mr. Lau, as to 25% by Ms. Leung and as to 25% by Ms. Lau Pui Shan

DEFINITIONS

“Cheer Wealth”	Cheer Wealth International Development Limited (富怡國際發展有限公司), a company incorporated in Hong Kong with limited liability on 18 August 2004 and is owned approximately as to 99.99996% by Mr. Lau, as to 0.00002% by Ms. Leung and as to 0.00002% by Ms. Lau Pui Shan
“CKL”	CKL Development Limited, a company incorporated in BVI with limited liability on 5 November 2002 and is wholly-owned by Mr. Lau Chun Kwok, an executive Director and a brother of Mr. Lau
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Law”	the Companies Law (2013 Revision) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or modified from time to time
“Company”	Sam Woo Construction Group Limited (三和建築集團有限公司), (formerly known as AA Foundation Group Limited (亞洲地基集團有限公司)) an exempted company incorporated in the Cayman Islands with limited liability on 17 September 2012
“Composite Development Project”	the composite property development piling works project, being a private sector project based in Novos Aterros da Areia Preta, Macau, of which the Group was engaged as a subcontractor
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, refers to Mr. Lau, Ms. Leung, Silver Bright and Actiease Assets, who, together, will control the exercise of 30% or more of the voting rights in the general meeting of our Company immediately after the Share Offer
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Deed of Indemnity”	a deed of indemnity dated 25 September 2014 entered into between each of the Controlling Shareholders and our Company, pursuant to which each of the Controlling Shareholders has given certain tax and estates duty indemnities and other indemnities in favour of our Company (for itself and as trustee for each of its subsidiaries) subject to and in accordance with the terms and conditions of the Deed of Indemnity, further particulars of which are set out in the paragraph headed “Statutory and General Information – Other Information – Estate duty, tax indemnity and other indemnities” in Appendix IV to this prospectus

DEFINITIONS

“Deed of Non-competition Undertaking”	the deed of non-competition undertaking dated 15 September 2014 executed by our Controlling Shareholders (as covenantors) and our Company, particulars of which are set out in the paragraph “Controlling Shareholders and Substantial Shareholders – Non-competition Undertaking” in this prospectus
“Development Bureau”	the Development Bureau of the Government
“Director(s)”	the director(s) of our Company as at the date of this prospectus
“DSSOPT”	the Land, Public Works and Transport Bureau* of the Macau Government (in Portuguese, the “Direcção dos Serviços de Solos, Obras Públicas e Transportes”, and, in Chinese, the “澳門特別行政區土地工務運輸局”)
“East Ascent”	East Ascent Enterprise Limited (東升企業有限公司), a company incorporated in Hong Kong with limited liability on 22 December 2003 and is owned as to 50% by Mr. Lau, as to 25% by Ms. Leung and as to 25% by Ms. Lau Pui Shan
“Eligible Employees”	all full-time employee(s) of our Group who joined our Group on or before 31 July 2014 and who (a) is at least 18 years of age; (b) has a Hong Kong address and is a holder of a Hong Kong Identity Card; (c) remains as a full-time employee of our Company or any of our subsidiaries, and is not on probation, as at 31 July 2014; (d) has not tendered resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before 31 July 2014; (e) is not the chief executive or directors of our Company or our subsidiaries; (f) is neither an, nor a close associate of an, existing beneficial owner of Shares or of shares of any of our subsidiaries; and (g) is not any other core connected persons of our Company
“Employee Preferential Offering”	the offer of up to 1,000,000 Public Offer Shares to Eligible Employees as described in the paragraph headed “Structure and Conditions of the Share Offer – Employee Preferential Offering” in this prospectus
“Employee Reserved Shares”	the 1,000,000 Public Offer Shares (representing 1% of the Offer Shares available under the Share Offer) available in the Employee Preferential Offering which are to be allocated out of the Public Offer Shares
“Family Trust”	a discretionary trust set up by Mr. Lau on 3 March 2003 of which Nautilus Trustees acts as the trustee and the beneficiary of which is Ms. Leung

DEFINITIONS

“First Previous Project”	a foundation works and ancillary services project carried out by our Group which was completed in 2003, which was prior to the Track Record Period
“Government”	the government of Hong Kong
“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider designated by our Company
“Group”	our Company and our subsidiaries or, where the context so requires or permits, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, the present subsidiaries of our Company
“Guosen Securities”	Guosen Securities (HK) Capital Company Limited 國信證券(香港)融資有限公司, a licenced corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
“Healthy World”	Healthy World Investment Limited (健匯投資有限公司), a company incorporated in Hong Kong with limited liability on 18 November 1998 and is owned as to 50% by Mr. Lau and as to 50% by Mr. Lau Chun Ka
“Highways Department”	the Highways Department of the Government
“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 www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form Service Provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Legal Adviser”	TC & Co., legal adviser of our Company as to Hong Kong laws in connection with the Listing
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hotel Casino Project”	the hotel casino complex piling works project, being a private sector project based in Cotai, Macau, of which the Group was engaged as a subcontractor
“Hotel Tower Project”	the hotel tower bored piling works project, being a private sector project based in Cotai, Macau, of which the Group was engaged as a main contractor
“Housing Authority”	the Hong Kong Housing Authority of the Government
“Independent Third Party(ies)”	a person(s) or company(ies) which is/are not connected persons (within the meaning of the Listing Rules) of our Group, its subsidiaries or any of their respective associates

DEFINITIONS

“Inland Revenue Department”	the Inland Revenue Department of the Government
“Investec”	Investec Capital Asia Limited, a licensed corporation to carry on type 1 (dealing in securities), 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
“Ipsos Report”	an industry report prepared by Ipsos Hong Kong Limited which was commissioned by us in relation to, among other things, the foundation industry in Hong Kong and Macau
“Joint Bookrunners” or “Joint Lead Managers”	Investec, Kingston Securities and Guosen Securities
“Kingston Securities”	Kingston Securities Limited, a licensed corporation to carry on type 1 (dealing in securities) regulated activity under the SFO
“L&AY Hong Kong Tax Opinion”	the Hong Kong tax opinion issued by Lau & Au Yeung C.P.A. Limited in respect of the tax treatment of the intra-group leasing income under the Machinery Lease Agreement (including the Machinery Agency Agreement) under Hong Kong tax
“Labour Department”	the Labour Department of the Government
“Latest Practicable Date”	19 September 2014, being the Latest Practicable Date for the ascertaining certain information prior to the printing of this prospectus
“laws”	include all laws, rules, regulations, guidelines, opinions (whether formally published or not), notices, circulars, orders, judgements, decrees or rulings of any court, government, governmental or regulatory authority whether or not ejusdem generis with any of the foregoing (including, without limitation, the Stock Exchange) and “law” shall be construed accordingly
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the Main Board first commence
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Long Ascent”	Long Ascent Development Limited (長升發展有限公司), a company incorporated in Hong Kong with limited liability on 3 December 2003 and is owned as to 50% by Mr. Lau, as to 49% by Mr. Lau Chun Kwok and as to 1% by Ms. Leung
“Macau”	the Macau Special Administrative Region of the PRC
“Macau Government”	the government of Macau
“Macau Legal Adviser”	Rato, Ling, Vong, Lei & Cortés - Advogados, legal adviser of our Company as to Macau laws in connection with the Listing
“Macau Legal Opinion”	the Macau legal opinion issued by the Macau Legal Adviser in connection with the Listing

DEFINITIONS

“Macau Projects”	the Composite Development Project, the Hotel Casino Project and the Hotel Tower Project
“Machinery Agency Agreement”	the machinery agency agreement dated 6 January 2013 entered into between SW Bore Pile and SW Engineering Equipment, pursuant to which SW Bore Pile engaged SW Engineering Equipment as its agent to lease certain of its machinery and equipment to SW Foundation (Macau)
“Machinery Lease Agreement”	the machinery lease agreement dated 7 January 2013 entered into between SW Engineering Equipment (as lessor) and SW Foundation (Macau) (as lessee) for the leasing of machinery and equipment
“Main Board”	the stock market (excluding the option market) 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 our Company, as amended from time to time
“Mr. Lau”	Mr. Lau Chun Ming, an executive Director, our Chairman and founder of our Group
“Ms. Leung”	Ms. Leung Lai So, an executive Director and the spouse of Mr. Lau
“Nautilus Trustees”	Nautilus Trustees Asia Limited (formerly known as DBS Trustee H.K. (Jersey) Limited)
“Nice Fair”	Nice Fair Group Limited, a company incorporated in BVI with limited liability on 23 May 2002, and is wholly-owned by Mr. Lau Chun Ka, an executive Director and a brother of Mr. Lau
“Offer Price”	the final Hong Kong dollar price per Offer Share (before brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which Shares are to be subscribed pursuant to the Share Offer, which will not be more than HK\$1.50 and is currently expected to be not less than HK\$1.00, to be determined as described under the paragraph headed “Structure and Conditions of the Share Offer – Determining the Offer Price” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“PINK Application Form(s)”	the application form(s) to be sent to Eligible Employees to subscribe for Offer Shares pursuant to the Employee Preferential Offering
“Placing”	the conditional placing by the Placing Underwriters of the Placing Shares for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%), details of which are described in the section headed “Structure and Conditions of the Share Offer” in this prospectus on and subject to the terms and conditions stated herein and in the Placing Underwriting Agreement

DEFINITIONS

“Placing Shares”	90,000,000 new Shares initially being offered by our Company for subscription at the Offer Price under the Placing (subject to adjustment as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus)
“Placing Underwriters”	the group of underwriters led by the Joint Lead Managers, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional placing agreement relating to the Placing and to be entered into by, among others, our Company and the Joint Lead Managers for themselves and on behalf of the Placing Underwriter(s) on or about the Price Determination Date, as further described in the paragraph headed “Underwriting – Placing Underwriting Agreement” in this prospectus
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“PRC Government”	the government of the PRC
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Previous Projects”	First Previous Project and Second Previous Project
“Price Determination Agreement”	the agreement to be entered into between the Joint Lead Managers (for themselves and on behalf of the other Underwriters) and our Company on or around the Price Determination Date to fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Wednesday, 8 October 2014 (Hong Kong time), when the Offer Price is determined and, in any event, no later than Friday, 10 October 2014
“Promissory Note”	a promissory note dated 21 February 2011 of HK\$92,000,000 issued by Actiease Assets to SW Holdings as settlement of part of the consideration for the transfer of shares of SW (BVI) from SW Holdings to Actiease Assets
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription by the public in Hong Kong as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto, and for the avoidance of doubt, includes the Employee Preferential Offering

DEFINITIONS

“Public Offer Shares”	the 10,000,000 new Shares initially being offered for subscription by our Company at the Offer Price under the Public Offer (subject to adjustment as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus), including, among others, the Shares which are available for subscription by the Eligible Employees pursuant to the Employee Preferential Offering
“Public Offer Underwriters”	the underwriters of the Public Offer
“Public Offer Underwriting Agreement”	the public offer underwriting agreement dated 26 September 2014 relating to the Public Offer entered into by, among others, our Company, the Joint Lead Managers and the Public Offer Underwriters, as further described in the paragraph headed “Underwriting – Public Offer Underwriting Agreement” in this prospectus
“PwC Hong Kong Tax Opinion”	the Hong Kong tax opinion issued by PricewaterhouseCoopers Limited in respect of the Hong Kong tax treatment of income from the leasing of machinery and equipment under the Machinery Lease Agreement from a Hong Kong tax perspective
“PwC Macau Tax Opinion”	the Macau tax opinion issued by PricewaterhouseCoopers (Macau) Limited in respect of the tax treatment of the intra-group leasing income under the Machinery Leasing Agreement (including the Machinery Agency Agreement) from a Macau tax perspective
“QSEM”	Quality, Safety and Environmental Manager
“Redland Contractors”	Redland Contractors Limited (中威營造有限公司), a company incorporated in Hong Kong with limited liability on 18 May 2011 and an indirect wholly-owned subsidiary of our Company
“Reorganisation”	the reorganisation of the corporate structure of our Group in preparation for the Listing as described in the section headed “History and Corporate Structure” in this prospectus
“Reorganisation Agreement”	the reorganisation agreement dated 15 September 2014 entered into among our Company, Actiease Assets, Silver Bright and Mr. Lau, particulars of which are set out in the paragraph headed “History and Corporate Structure – Reorganisation” in this prospectus
“Second Previous Project”	a foundation works and ancillary services project carried out by our Group which was completed in 2007, which was prior to the Track Record Period
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the capital of our Company (or in such other nominal value as adopted by the Company from time to time)

DEFINITIONS

“Shareholder(s)”	shareholder(s) of our Company from time to time
“Share Offer”	the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 15 September 2014, the principal terms of which are summarised in the paragraph headed “Statutory and General Information – Share Option Scheme” in Appendix IV to this prospectus
“Silver Bright”	Silver Bright Holdings Limited, a company incorporated in BVI on 17 October 2002, the entire issued share capital of which is held by Managecorp Limited acting as trustee of the Unit Trust
“Sponsor”	Investec
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 2 of the Companies Ordinance
“SW AA Construction Group”	SW AA Construction Group Limited (三和亞洲建築集團有限公司) (formerly known as Sam Woo Construction Group Limited (三和建築集團有限公司), a company incorporated in Hong Kong with limited liability on 22 March 2012 and an indirect wholly-owned subsidiary of our Company
“SW Bore Pile”	Sam Woo Bore Pile Foundation Limited (三和地基有限公司), a company incorporated in Hong Kong with limited liability on 7 September 1990 and an indirect wholly-owned subsidiary of our Company
“SW (BVI)”	Sam Woo Group Limited (formerly known as Active Best Securities Limited), a company incorporated in the BVI with limited liability on 22 February 2001 and a wholly-owned subsidiary of our Company
“SW Civil Contractors”	Sam Woo Civil Contractors Limited (三和土木工程有限公司), a company incorporated in Hong Kong with limited liability on 5 August 2002 and an indirect wholly-owned subsidiary of our Company
“SW Civil Works”	Sam Woo Civil Works Limited (三和土木有限公司), a company incorporated in Hong Kong with limited liability on 25 July 2003 and an indirect wholly-owned subsidiary of our Company
“SW Construction”	Sam Woo Construction Limited (三和營造有限公司), a company incorporated in Hong Kong with limited liability on 5 August 2002 and an indirect wholly-owned subsidiary of our Company

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“SW Construction & Engineering”	Sam Woo Construction & Engineering Limited (三和建設機械有限公司) (formerly known as Rich Keen Asia Limited (裕建亞洲有限公司)), a company incorporated in Hong Kong with limited liability on 11 May 1995 and an indirect wholly-owned subsidiary of our Company
“SW Engineering Equipment”	Sam Woo Engineering Equipment Limited (三和機械有限公司), a company incorporated in Hong Kong with limited liability on 7 October 1980 and an indirect wholly-owned subsidiary of our Company
“SW Finance”	Sam Woo Finance Limited (三和財務有限公司), a company incorporated in Hong Kong with limited liability on 28 January 2004 and an indirect wholly-owned subsidiary of our Company
“SW Foundation”	Sam Woo Foundation Limited (三和地基工程有限公司), a company incorporated in Hong Kong with limited liability on 25 July 2003 and an indirect wholly-owned subsidiary of our Company
“SW Foundation Group”	Sam Woo Foundation Group Limited (三和地基集團有限公司), a company incorporated in Hong Kong with limited liability on 22 March 2012 and an indirect wholly-owned subsidiary of our Company
“SW Foundation (Macau)”	Sam Woo Foundation Limited (in Chinese, SAM WOO 地基有限公司 and, in Portuguese, Sam Woo Companhia de Fundação Limitada), a company by quotas incorporated in Macau with limited liability on 23 August 2011 and an indirect wholly-owned subsidiary of our Company
“SW Group (Holdings)”	Sam Woo Group (Holdings) Limited (三和集團(控股)有限公司), a company incorporated in Hong Kong with limited liability on 16 December 2002 and is wholly-owned by Mr. Lau
“SW Holdings”	Noble Century Investment Holdings Limited (仁瑞投資控股有限公司) (formerly known as Sam Woo Holdings Limited (三和集團有限公司)), an exempted company incorporated in Bermuda with limited liability on 26 June 2002 and the issued shares of which are listed on the Stock Exchange under stock code: 2322
“SW Offshore Engineering”	Sam Woo Offshore Engineering Limited (三和海洋工程有限公司), a company incorporated in Hong Kong with limited liability on 25 May 2006 and an indirect wholly-owned subsidiary of our Company
“SW Ship Management”	Sam Woo Ship Management Limited (三和船舶管理有限公司), a company incorporated in Hong Kong with limited liability on 15 June 2005 and is wholly-owned by Mr. Lau
“Track Record Period”	the three financial years ended 31 March 2014
“Underwriters”	the Placing Underwriters and the Public Offer Underwriters

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“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“Unit Trust”	a unit trust set up by Mr. Lau on 4 March 2003 of which Managecorp Limited acts as the trustee. The entire issued units of the Unit Trust are held by Nautilus Trustees as trustee of the Family Trust
“United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“Worldwide Profit”	Worldwide Profit International Investment Limited (宏利國際投資有限公司), a company incorporated in Hong Kong with limited liability on 3 November 1995, and is owned as to 25% each by Mr. Lau, Ms. Leung, Mr. Lau Chun Kwok and Mr. Lau Chun Ka
“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“三和集團”	三和集團有限公司, a company incorporated in Hong Kong with limited liability on 13 October 2004 and is wholly-owned by Mr. Lau
“we”, “us” or “our”	our Company or our Group (as the context may require)
“HK\$” or “HK dollar(s)” and “HK cents”	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
“MOP” or “Pataca”	Macau Pataca, the lawful currency of Macau
“US\$” or “US dollar(s)”	United States dollar(s), the lawful currency of the United States of America
“sq. ft.”	square feet
“sq. m.”	square metres
“%”	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.

Unless otherwise specified, for the purpose of this prospectus, amounts denominated in MOP are translated into HK\$ at the rate of MOP1.00 = HK\$0.97. No representation is made that any amounts in HK\$ or MOP were or could have been converted at the such rate or at any other exchange rates.

The English language names of certain entities which are marked with “” are provided for identification purposes and for your convenience only. Some of these entities do not have registered English language names and, accordingly, in the event of any inconsistency, the Chinese names or Portuguese names (as the case may be) shall prevail.*

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.

“bell-out”	an enlargement of the base area of a pile, formed in situ by undercutting (under-reaming) the soil or rock at the base of a bored pile
“bored pile”	a type of pile installed by machine boring to the required level and subsequently filling the hole with concrete
“ISO”	acronym for a series of standards including quality management and environmental management standards published by International Organisation for Standardisation, a non-governmental organisation that has a central secretariat in Geneva, Switzerland
“ISO 9001”	an international standard that gives requirements for an organisation’s quality management system
“ISO 14001”	an international standard that gives a framework for an environmental management system
“large diameter bored pile”	a type of bored pile which is greater than 750 mm in diameter
“non-percussive piling”	a type of construction activity by methods other than those prescribed under percussive piling
“OHSAS”	acronym for Occupational Health and Safety Management System, which provides a framework for organisations to identify and control its health
“OHSAS 18001”	an international standard that gives a framework for an occupational health and safety management system
“percussive piling”	a type of construction activity by sinking or driving a pile by direct or indirect hammering or other percussive means, including piling by the use of a drop hammer, diesel hammer, double acting hammer, single acting hammer, internal drop hammer, pneumatic hammer, steam hammer or other percussive device, other than a device that is portable and designed for operation while held by hand without any other form of support
“pile cap”	a concrete structure built on the head of a pile or a group of piles for transmission of loads from the structure above to the pile or group of piles

GLOSSARY OF TECHNICAL TERMS

“piling”	any work in connection with or for the sinking or forming of a pile in the ground by hammering, jacking, screwing, augering, boring, jetting, vibrating, casting or any other means and also means the driving or sinking of any casing or tube into the ground to form a well or shaft for foundation purposes, whether or not the casing or tube is later extracted
“rock socketed H-pile” or “rock socketed steel H-pile”	a type of pile in which a steel H-section is installed within a pre-bored hole formed into the bedrock and then grouted with cement grout
“Specialist List”	the List of Approved Suppliers of Material and Specialist Contractors for Public Works published by the Development Bureau
“standard patent”	standard patent is a type of patent in Hong Kong. Protection under standard patent is renewable annually after the end of the third year, for a maximum of 20 years. The grant of a standard patent in Hong Kong is based on the registration of a patent granted by one of three patent offices, including the State Intellectual Property Office of the PRC, the European Patent Office and the United Kingdom Patent Office

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relation to:

- our operations and business prospects;
- our business strategies and plan to achieve these strategies;
- our contracts on hand;
- our future debt levels and capital needs;
- the regulatory environment of our industry in general;
- our financial conditions and performance;
- the nature of, and potential for, future development of our business;
- future development in our industry; and
- our dividend policy.

The words “aim”, “anticipate”, “believe”, “can”, “could”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative forms of these words with similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in the section headed “Risk Factors” in this prospectus. One or more of these risks or uncertainties may materialise.

Subject to the requirements of the Listing Rules, our Company does not have any obligation and does not undertake to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statement set out in this section.

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making an investment in the Offer Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected and the market price of the Offer Shares could fall significantly and you may lose all or part of your investment.

There are certain risks relating to an investment in our Shares. These risks can be broadly categorised into: (i) risks relating to our foundation business; (ii) risks relating to doing business in Macau; (iii) risks relating to doing business in Hong Kong; and (iv) risks relating to the Share Offer. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that are presently deemed immaterial, could also harm our business, financial condition and operating results.

RISKS RELATING TO OUR FOUNDATION BUSINESS

Our performance is dependent on the general economic conditions of the markets in which we operate, especially the construction and infrastructure sectors which are cyclical in nature

During the Track Record Period, we derived all of our revenue from the provision of foundation works and ancillary services in Hong Kong and Macau. The demand for our services is closely related to the level of construction activities, in particular those related to property and infrastructure projects, in Hong Kong and Macau. We believe that the construction and infrastructure sectors are cyclical in nature and any downturn in the construction sector and/or reduction in the overall value and number of infrastructure projects due to, amongst other reasons, economic downturn and/or government policies, may reduce the demand for our foundation works and ancillary services accordingly. As such, our performance and profitability may be adversely impacted.

Our business operates under various registrations and certifications and the loss of or failure to obtain or renew any or all of these registrations and/or certifications could materially and adversely affect our business

Our business is subject to various government regulations. In accordance with the laws of Hong Kong and Macau, our Group is required to obtain/maintain certain registrations and/or certifications to operate our business. Please refer to the section headed “Laws and Regulations” in this prospectus for details.

These registrations and/or certificates are granted/renewed and maintained upon our satisfactory compliance with, amongst others, the applicable criteria set by the relevant governmental departments or organisations. Such criteria may include the maintenance of certain financial criteria including our working capital level. These registrations and/or certificates may only be valid for a limited period of time and may be subject to periodic reviews and renewal by governmental authorities or relevant organisations. In addition, the standards of compliance required in relation thereto may from time to time be subject to changes without substantial advance notice. We cannot provide any assurance that all these required registrations and/or certificates can be maintained or obtained/renewed in a timely manner or at all. Any changes in the existing policies by the governmental authorities in relation to the construction/foundation industries to which we provide our services may result in our failure to obtain or maintain such relevant registrations and/or certificates. If we operate our business without the required registrations and/or certificates, we may be required to suspend our operations, which would have a material adverse effect on our business and results of operations.

RISK FACTORS

Award of our foundation works and ancillary services contracts are subject to successful tenders or acceptable quotations

During the Track Record Period, we derived all of our revenue from the provision of foundation works and ancillary services. Our Group's ability to compete for and secure foundation works and ancillary services contracts is one of the main contributors to our success as well as ongoing growth and future profitability. Our foundation business operates on a non-recurring and project-by-project basis and our customers may vary from year to year. Upon the completion of our contracts on hand, in the event that our Group is unable to secure new contracts or has not commenced work for any of our new contracts, our revenue and financial performance may be adversely affected.

We cannot ascertain whether we will be able to secure contracts from our customers and/or new potential customers. There is also no assurance over whether our ongoing customers will continue to develop projects that require our services or continue to engage us in the future. In the event our Group is unable to secure new contracts or gain new business from recent, ongoing or potential customers, we may experience slow growth or no growth of our foundation business or a material reduction in the value and volume of our foundation contracts and our business and financial performance may be adversely affected. Thus, the financial results of our Group for the Track Record Period should not be taken as an indication of our future performance. Prospective investors should be aware of the risk of our Group failing to secure future contracts when considering our Group's financial results.

We have a concentration of customers during the Track Record Period

A significant portion of our revenue was derived from a small number of customers during the Track Record Period. During the Track Record Period, our five largest customers accounted for approximately 97.4%, 97.9% and 98.7% of our revenue respectively, while the single largest customer during the same period accounted for approximately 38.5%, 42.6% and 88.2% of our revenue respectively.

We may continue to have a concentration of customers in the future. Any deterioration in the businesses of our major customers could lead to delay and/or default in their payments to us. If our major customers fail to make timely payments to us, our cash flows and financial position may be adversely affected.

Liquidity and net current liabilities

Our Group had net current liabilities of approximately HK\$115.4 million as at 31 March 2014, which was primarily due to (i) the balance of long-term bank loans due after one year of approximately HK\$110.1 million and obligations under finance leases due after one year of approximately HK\$8.4 million, both of which also contain repayment on demand clause; (ii) short-term bank loans of approximately HK\$92.6 million; and (iii) the comparatively smaller current asset base which largely consisted of cash and cash equivalents of approximately HK\$85.9 million. Please refer to the paragraph headed "Financial information – Net current liabilities" in this prospectus for further details.

Our future liquidity and the repayment of our outstanding debt obligations when they become due will primarily depend on our ability to maintain adequate cash inflows from operating activities and our ability to obtain adequate external financing.

Our Group may continue to record net current liabilities in the future. Having significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external borrowings for funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

If we fail to accurately estimate our costs or fail to complete projects within our cost estimates, the results of our operations would be adversely affected

We prepare our tenders or quotations based on our estimates and available information, taking into consideration, the deployment of our resources including, our machinery and equipment to carry out foundation works and ancillary services, the relevant construction materials and labour costs, as well as the complexity and length of the relevant projects. Should there be any cost overruns or underestimates, we may suffer from losses. Our tender or quotation may carry inherent risks, including risks of losses from underestimating costs and unforeseen difficulties in operating projects and other unexpected circumstances or incidents that may occur during the contract period that may cause the cost of the operations to increase unexpectedly.

In addition, the revenue, operating costs and gross profit on our contracts can sometimes vary substantially from our original estimates due to the following factors:

- failure to properly estimate the cost of engineering, construction materials, machinery and equipment or labour (including subcontractors);
- difficult sub-soil conditions which may make pile construction more technically complex than initially anticipated;
- unanticipated technical problems which may require us to incur additional and unexpected costs which we cannot recoup;
- our subcontractor's failure to perform which will require us to replace such subcontractors at additional costs;
- failure to properly estimate the repair and/or maintenance costs; and
- exacerbation of any or most of the aforementioned factors as projects grow in size and complexity.

Our ability to compete for foundation works and ancillary services projects is limited by our machinery and equipment

Our capacity to carry out foundation works and ancillary services for our customers depends on the availability of our machinery and equipment, which mainly consists of crawler cranes, oscillators, rotators, reverse circulation drills, boring rigs and down-the-hole hammers, and air compressors.

Accordingly, the number of foundation works and ancillary services projects that can be executed by our Group simultaneously at any given time is limited by our resources including the capacity of our machinery and equipment to carry out foundation works and ancillary services. In addition, our machinery and equipment may succumb to breakdown and a replacement of such machinery and equipment may not be readily available, if required. Repair and maintenance of these machinery and equipment is typically provided by (i) external vendors during the guaranteed period; and (ii) our in-house maintenance team, which may or may not be able to provide timely maintenance services.

RISK FACTORS

We cannot ascertain whether we will be able to maintain the capacity of our machinery and equipment, if our machinery and equipment are damaged or cease to operate, it would temporarily reduce our capacity and in turn affect our ability to carry out foundation works and ancillary services for our customers which could adversely affect our business, financial conditions and results of operations.

Our indebtedness could have an adverse effect on our financial position, increase the difficulty of raising capital to fund our operations and limit our ability to explore future business opportunities

During the Track Record Period, we incurred a high level of indebtedness in order to finance our operations. As at 31 July 2014, the total amount of indebtedness of our Group was approximately HK\$399.9 million. This debt could have an adverse effect on our business operations and financial position.

For example, it will:

- limit or impair our ability to raise additional funds, either through debt or equity markets, which may in turn increase the cost of such funding;
- increase our vulnerability in adverse general economic conditions; and
- require us to maintain an adequate level of cash flow from operations in order to satisfy our debt obligations as they become due. This may in turn reduce the available capital for other business prospects.

Our borrowings are denominated in Hong Kong dollars and Pataca. The interest rates on some of our outstanding Hong Kong dollar and Pataca denominated borrowings are under variable interest rates. Any change in the interest rates will have a direct impact on our financing costs and, in turn, our results of operations and our financial position. For the three years ended 31 March 2014, the weighted average interest rates on (i) our long-term bank loans were approximately 3.8%, 4.0% and 2.9%, respectively; and (ii) our obligations under finance leases were approximately 3.9%, 3.8% and 3.1%, respectively. As for our short-term bank loan, the weighted average interest rate were approximately 3.1% and 5.0% for each of the year ended 31 March 2013 and 2014, respectively. We had no short-term bank loan as at 31 March 2012. As for our bank overdraft, the weighted average interest rate was approximately 1.4% for the year ended 31 March 2014. We had no bank overdraft outstanding as at 31 March 2012 and 2013, respectively. Finance costs related to our outstanding bank loans, obligations under finance leases and bank overdraft for the three years ended 31 March 2014 were approximately HK\$1.8 million, HK\$3.1 million and HK\$9.7 million, respectively.

RISK FACTORS

We may not be able to sustain growth rate and profit margin similar to those we achieved during the Track Record Period, or maintain our financial performance in the future

We experienced significant growth over the Track Record Period. Our revenue increased from approximately HK\$98.4 million for the year ended 31 March 2012 to approximately HK\$375.1 million for the year ended 31 March 2013 and further to approximately HK\$492.7 million for the year ended 31 March 2014, representing a CAGR of approximately 123.7%. As of the Latest Practicable Date, the awarded contract sum for the contracts on hand (including contracts in progress and contracts of which our work has yet to commence) amounted to approximately HK\$1,348.6 million. We may experience delays in the commencement or progress of our work due to factors outside our control such as change in foundation design by our customers, adverse weather conditions and delays in obtaining governmental approvals for commencement of works.

RISK FACTORS

In addition, for the three years ended 31 March 2014, our Group recorded gross profit margin of approximately 33.2%, 27.3% and 33.6%, respectively; and net profit margin of approximately 24.6%, 14.8% and 25.8%, respectively. Given the ongoing competition faced by our Group, compounded with possible increases in construction materials and labour costs, there is no assurance that our Group will be able to maintain the gross profit margin, net profit margin and other financial results in the future at a similar level achieved during the Track Record Period.

We cannot assure you that we will be able to maintain our current revenue and profit levels in the future or attain growth rates and profit margins similar to those achieved during the Track Record Period. You should not rely on our results of operations for any prior period as an indication of our future financial or operating performance.

Reliance on key management personnel

Our Group's success is, to a large extent, attributable to the continued commitment of our executive Directors and our senior management team.

Details of our Directors and our senior management team are set out in the section headed "Directors and senior management" of this prospectus. Our Directors and senior management team are responsible for our business strategies and development, daily management and operations. Furthermore, they have established relationships with our Group's customers, subcontractors, suppliers and our Group's business associates. They have extensive experience in the construction industry, possess knowledge of the foundation and construction market and technical skills. Any unanticipated departure of members of the Board and/or our senior management team without appropriate replacement may have a material adverse impact on our business operations and profitability.

For details on our machinery and equipment, please refer to the paragraph headed "Business – Machinery and equipment to carry out foundation works and ancillary services".

RISK FACTORS

The tax authorities of Hong Kong and/or Macau may have a different interpretation of the relevant tax provisions and/or the circumstances of the arrangements under the Machinery Lease Agreement (including the Machinery Agency Agreement)

The provision for Hong Kong profits tax and Macau profits tax was calculated at 16.5% and 12.0% of the relevant estimated assessable profits for the Track Record Period, respectively. For the year ended 31 March 2014, our Group recorded income tax expenses of approximately HK\$2.8 million, which represented an effective tax rate of approximately 2.2%. Such relatively low effective tax rate was largely attributable to the leasing arrangement under the Machinery Lease Agreement (including the Machinery Agency Agreement).

Notwithstanding the L&AY Hong Kong Tax Opinion, the PwC Hong Kong Tax Opinion, the Macau Legal Opinion and the PwC Macau Tax Opinion, there is no assurance that the tax authorities of Hong Kong and/or Macau will not have a different interpretation of the relevant tax provisions and/or the circumstances of the arrangements under the Machinery Lease Agreement (including the Machinery Agency Agreement), and thus challenge and not accept our Group's submitted tax positions arising from the arrangements under the Machinery Lease Agreement (including the Machinery Agency Agreement).

Under such circumstances and in the event our Group proceeds and fails with our objection(s) and/or appeal(s) with the relevant tax authorities in Hong Kong and/or Macau, our Group may be liable for additional tax expenses, which may have a material adverse impact on our profitability and cashflow.

For illustration purposes only and calculated based on information available as at the Latest Practicable Date such as accounting profit, non tax deductible items, depreciation allowances and taxation losses brought forward, on the assumptions that (i) the leasing income derived by SW Engineering Equipment and SW Bore Pile under the Machinery Lease Agreement (including the Machinery Agency Agreement) is assessed to Hong Kong tax; and (ii) we have failed with our objection(s) and/or appeal(s) with the Hong Kong tax authorities, the aggregate maximum Hong Kong tax liability of SW Engineering Equipment and SW Bore Pile on an onshore basis estimated by both Lau & Au Yeung C.P.A. Limited and PricewaterhouseCoopers Limited in connection with the leasing income under the Machinery Lease Agreement (including the Machinery Agency Agreement) for the two assessment years ended 31 March 2014 is approximately HK\$1.6 million.

RISK FACTORS

For illustration purposes only and calculated based on information available as at the Latest Practicable Date, on the assumptions that (i) the leasing income derived by SW Engineering Equipment and SW Bore Pile under the Machinery Lease Agreement (including the Machinery Agency Agreement) is subject to Macau tax; and (ii) we have failed with our objection(s) and/or appeal(s) with the Macau tax authorities, the maximum Macau complementary tax exposures for SW Engineering Equipment and SW Bore Pile estimated by PricewaterhouseCoopers (Macau) Limited for the tax year 2013 (i.e. 16 March 2013 to 31 December 2013) and tax year 2014 (i.e. 1 January 2014 to 31 March 2014) in connection with the leasing income under the Machinery Lease Agreement (including the Machinery Agency Agreement) is approximately MOP15.1 million (equivalent to approximately HK\$14.6 million) in aggregate.

However, in the event that the tax liabilities of our Group arising from the Machinery Lease Agreement (including the Machinery Agency Agreement) together with the relevant legal costs exceed HK\$20.0 million, being the amount deposited by the Controlling Shareholders into a bank account maintained by our Group pursuant to the Deed of Indemnity solely for the purpose of settling any claims and/or legal costs for which our Group may become liable to pay, by reason of or in connection with any transaction contemplated in or carried out pursuant to the Machinery Lease Agreement (including the Machinery Agency Agreement before the Listing Date), and in the event that the Controlling Shareholders have insufficient financial resources to discharge part or all of their obligations under the Deed of Indemnity at the relevant time, the profitability and cashflow of our Group may be subject to adverse impact.

Notwithstanding the Deed of Indemnity, in respect of our ongoing Macau based foundation works and ancillary services contracts, our Group may be subject to possible tax exposure from similar intragroup leasing arrangements to those under the Machinery Lease Agreement after Listing as the Deed of Indemnity does not cover any tax liabilities arising from such intra-group leasing arrangements after Listing.

Project risk

The size of our foundation works and ancillary services projects may vary significantly. The significant variation in the size of projects that we can secure may affect our allocation of resources and business performance. In the event that we fail to allocate our resources effectively and/or are unable to secure projects with acceptable profit margin, our profitability would be adversely affected.

In addition, there is no assurance that the construction period set out in our foundation works and ancillary services contracts would not change or be subject to material delay as we have experienced under the Composite Development Project. In connection with the Composite Development Project, the Human Resources Office of the Macau Government has yet to grant quotas for non-Macau resident construction workers as at the Latest Practicable Date. As the grant of such quotas is at the discretion of the Human Resources Office of the Macau Government, our Group is unable to accurately determine the length of the delay of the Composite Development Project and the corresponding potential impact on the profitability of the Composite Development Project.

These risks increase where projects have a longer duration because there is an increased probability that the circumstances on which we based our estimates of the original tender or quotation may vary which would, in turn, increase our costs.

RISK FACTORS

We rely on a stable supply of labour to carry out our foundation works and ancillary services projects and may encounter difficulty in staffing our foundation works and ancillary services

The provision of our foundation works and ancillary services generally require labour input and we may encounter difficulty in staffing our foundation works and ancillary services. For any given project, a large number of workers with different skills may be required. 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 skilled 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.

In particular for our projects based in Macau, we are dependent on foreign workers as the local construction labour is limited. In the event that our existing projects based in Macau are required to be partly or wholly staffed by foreign workers, we will be subject to labour quota restrictions in relation to foreign workers imposed by the Macau Government and we may have difficulties in obtaining or renewing the necessary working visas and documentations for some or all of our workers. In the event that we are also unable to recruit suitably skilled staff in Macau, this may reduce our service capabilities and efficiency, as well as adversely affect our business operations. Please refer to the paragraph headed “Business – Employees” in this prospectus for details on staffing arrangements for our projects in Macau.

During the Track Record Period, our staff costs, as part of cost of sales, amounted to approximately HK\$18.8 million, HK\$66.5 million and HK\$111.4 million respectively, representing approximately 28.6%, 24.4% and 34.1% of our total costs of sales, respectively.

We may be involved in legal and arbitration proceedings arising from our operations

We may be involved in disputes arising from our business operations, which may lead to legal and arbitration proceedings. Disputes may arise due to material delay preventing our Group from completing our obligations under a contract in accordance with its terms, our management will inform the customer and seek an extension to the completion of the contract in accordance with its terms, which may or may not be granted depending on the cause of the delay. Where such extension is not granted by the relevant customer, our Group may face claims for liquidated damages (which is normally provided for in the contract with our customers) or losses and damages which may lead to legal and other proceedings. Besides, disputes in relation to the value of the works performed by our Group may also arise when the customers and our Group take different views on the valuation on variation works in accordance with the terms of contracts.

In addition, as our foundation works and ancillary services generally involve the operation of tools, machinery and equipment, industrial accidents resulting in employee injuries or even deaths may occur. In such event, we may be liable for personal injury or death, monetary losses or fines or subject to other legal liability as well as business interruptions caused by machinery and equipment shutdowns for investigations and imposition of safety measures.

RISK FACTORS

We may have to incur costs to defend our Group in legal and other proceedings. If we are not successful in defending our Group in any proceedings, we may be liable to pay for the damages. Such payments may be significant which may adversely affect our business operations and financial position.

During the Track Record Period, a legal proceeding and an arbitration proceeding between our Group and our customers were duly settled. Both proceedings were related, inter alia, to our claims for “extension of time” entitlements as we alleged that the delay in completion of our respective contractual obligations in two projects in Hong Kong was caused by the customers (i.e. the Previous Projects). For details about the legal proceeding and arbitration proceeding, please refer to the sections headed “Business – Performance bonds/liquidated damages” and “Financial Information – Revenue” in this prospectus.

During the Track Record Period and as at the Latest Practicable Date, our Group was also engaged in an ongoing legal proceeding under the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) instituted by our employee in the District Court of HKSAR and two ongoing arbitration proceedings in Hong Kong. Concerning these two ongoing arbitration proceedings, owing to the relevant terms of the contracts between us and the respective counter parties, the Arbitration Ordinance (Chapter 609 of the Laws of Hong Kong) and the relevant arbitral rules, all information about the arbitrations must remain confidential. As at the Latest Practicable Date, two employees of our Group and three employees of our subcontractors who had suffered personal injuries had not taken up any legal proceedings against our Group under the relevant employees’ compensation law in Hong Kong or Macau, or under the common law in Hong Kong or general liability rules provided for in the Macau Civil Code in Macau. Furthermore, the injured worker in the aforesaid ongoing legal proceeding in Hong Kong under the Employees’ Compensation Ordinance can also make a claim against us for personal injury under common law. Hence, we are still subject to the potential claims of these injured workers.

In addition, though six employees’ compensation claims during the Track Record Period had been settled, the settlements with these injured workers under the relevant employees’ compensation claims in Hong Kong or Macau would not exempt our liabilities under common law in Hong Kong or our general liability rules provided for in the Macau Civil Code in Macau though the relevant compensation paid to the injured workers thereunder will be, in principal, reduced by the same amount made to them under the relevant employees’ compensation law. Hence, these six employees can make a claim against us for personal injury within three years from the date of the relevant accident.

On the other hand, during the Track Record Period, an employee of our Group in Macau had suffered heart attack and passed away. This accident may constitute a work-related accident in Macau. For details about the aforesaid legal proceeding, arbitration proceedings, potential claims and potential work-related accident, please refer to the sections headed “Business – Legal and administrative proceedings – Legal action against our Group under Employees’ Compensation Ordinance, Cap 282 of the laws of Hong Kong” and “Business – Legal and administrative proceedings – Ongoing arbitration proceedings” in this prospectus, respectively.

During the Track Record Period, legal fees in relation to legal proceedings recorded by our Group totalled to approximately HK\$1.1 million, HK\$1.3 million and HK\$0.2 million, respectively. As at 31 July 2014, our Group estimated that we have incurred an outstanding legal fees in the sum of approximately HK\$3.6 million.

RISK FACTORS

We are exposed to our customers' credit risks

In general, for our foundation works and ancillary services contracts, we submit monthly payment applications to our customers and normally require our customers to make progress payments calculated in accordance with the value of works completed, which may include variation works and claims, if any. The billings for each project are made in accordance with the stipulated terms and conditions of the respective contracts.

The credit terms in relation to the settlement of amounts due from our customers arising from foundation works and ancillary services carried out by our Group vary from contract to contract. Such credit terms may make reference to the payment certificate date, settlement typically ranging from 14 days to 30 days from such date, depending on the terms and conditions of the contracts.

Our trade receivables were approximately HK\$3.6 million, HK\$70.3 million and HK\$27.8 million as at 31 March 2012, 2013 and 2014, respectively. We have not written off any receivables as uncollectible during the Track Record Period. However, there is no assurance that the financial position of our customers will remain healthy in the future.

In addition, retention monies are generally required by our customer to secure our Group's due performance of the contract. Typically, the amount of retention money is subject to negotiation between the parties and ranges from 1.0% to 10.0% of the value of the works certified, subject to a maximum retention of 1.0% to 5.0% of the total original contract value or a monetary cap. Our retention receivables amounted to approximately HK\$4.6 million, HK\$26.5 million and HK\$50.8 million as at 31 March 2012, 2013 and 2014, respectively.

Our Group may, from time to time, be engaged in prolonged negotiation of the settlement of payment applications, which is not uncommon in the construction industry.

If our customers experience financial distress or are unable to settle their payments due to us or release the retention monies to us in a timely manner or at all, the financial condition and results of operations of our Group could be materially and adversely affected.

Increases in construction material costs and substandard construction materials may have an adverse impact on our financial results

Our principal construction materials include concrete and steel. During the Track Record Period, the costs of construction materials amounted to approximately HK\$17.4 million, HK\$103.5 million and HK\$109.2 million respectively, representing approximately 26.5%, 38.0% and 33.4% of our total cost of sales, respectively.

There is no guarantee that the quality of construction materials supplied to our Group meets our required standards for reasons which are beyond our control, and we may be forced to replace these construction materials from other suppliers at additional costs or be subject to time delay. Furthermore, we cannot guarantee the cost of construction materials will be stable. If we are unable to factor in these potential fluctuations into each of our tenders or quotations and pass on part or the whole of such increases to our customers or reduce other costs, our financial results and position may be materially and negatively affected.

RISK FACTORS

Most of our contracts with our construction material suppliers are not long-term contracts

Most of our contracts with our construction material suppliers are not long-term contracts. We normally enter into contracts with our suppliers for construction materials, which mainly consists of concrete and steel, on a project-by-project basis. During the Track Record Period, our five largest suppliers of construction materials accounted for approximately 99.1%, 83.1% and 91.9% of our total purchases for the same periods, respectively.

There is no assurance that our suppliers will continue to provide construction materials at prices acceptable to our Group. In the event that any of our major suppliers is unable to provide the required construction materials to our Group and we are unable to source these required construction materials from alternative providers on similar or more favourable term to us, our business, results of operations, profitability and liquidity may be adversely affected.

The net book value of our machinery and equipment may be different from the actual realisable value and is subject to change

The net book value of our machinery and equipment as at 31 March 2014 was approximately HK\$397.8 million, such is based on their respective estimated useful lives and estimated residual values. The actual useful lives of our machinery and equipment may differ from their estimated useful lives and their actual realisable values may differ from their estimated residual values, subject to market conditions that are beyond our control.

There may also be technical advances in respect of the machinery and equipment in the future. As technology advances, any technological developments in methodology, machinery and equipment and any other factors related to foundation works and ancillary services may have an adverse effect on our business operations. Our machinery and equipment may become obsolete and our competitive advantages may disappear. There is no assurance that there will not be any technological developments in the future that will not adversely affect our business operations and financial position.

Reliance on subcontractors

Our Group may from time to time subcontract parts of our works which may require skilled workers and/or equipment in various areas, such as site surveying, ground investigation, utility connection, steel fixing, proof drilling and grouting, to third party contractors. For further details, please refer to the paragraph headed “Business – Subcontracting arrangements” in this prospectus. In order to control and ensure the quality and progress of the works of our subcontractors, our Group selects subcontractors based on, among others, their past performance, credit-worthiness, competitiveness in pricing as well as their health and safety, quality and environmental records. We may be affected by the non-performance, inappropriate or poor sub-contracted works rendered by our subcontractors.

For the three years ended 31 March 2014, our subcontracting charges amounted to approximately HK\$2.5 million, HK\$17.6 million and HK\$11.7 million, respectively, representing approximately 3.8%, 6.5% and 3.6% of our total costs of sales, respectively.

RISK FACTORS

In the event that our Group is unable to secure a suitable subcontractor when needed, or if subcontracting fees are excessive, the financial performance of our Group may be adversely affected. Furthermore, there may be circumstances where the subcontractors are late in delivering the relevant works or the quality of the relevant works do not meet our Group's requirements. In such event, the operations, profitability and reputation of our Group may be adversely affected.

Defect liability claims

As a provider of foundation works and ancillary services for the construction industry, we may be subject to claims due to defects in relation to our foundation works and ancillary services that are existing but not yet found, developed or visible at the time of completion. Our customers would normally require a defect liability period, during which we are responsible for rectifying construction defects. In the event that there are any significant claims against us for defect liability or any default or failure in relation to our foundation works and ancillary services by our customers or other parties, our profitability would be adversely affected.

We plan to expand our capacity by continuing to acquire additional machinery and equipment, such expansion may result in increase in depreciation expenses and may affect our financial results and conditions

To expand our capacity, we plan to acquire additional machinery and equipment. Furthermore, we intend to apply approximately 90% of the net proceeds to acquire and/or partly finance the expansion of our fleet of machinery and equipment. The depreciation expenses may increase due to the additional machinery and equipment.

During the Track Record Period, (i) our Group acquired machinery and equipment of approximately HK\$9.8 million, HK\$119.6 million and HK\$95.2 million, respectively; and (ii) the aggregate depreciation expenses related to our owned plant and equipment and leased plant and equipment (under finance lease) recorded under cost of sales amounted to approximately HK\$4.4 million, HK\$6.5 million and HK\$9.8 million, respectively. In the event that our depreciation expenses increase substantially due to the acquisition of additional machinery and equipment, our business and financial performance may be adversely affected.

Our Group may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees or other third parties

There is no assurance that instances of fraud or other misconduct committed by our employees or other third parties will not take place in the future. We may be unable to detect, deter and prevent all such instances. Any of such fraud or other misconducts committed at the expense of our Group's interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our Group's business operations, results and financial condition.

RISK FACTORS

Our insurance may not fully cover all the potential losses arising from our foundation works and ancillary services

Our insurance plans may not fully cover all the potential losses incurred from damages or liabilities in relation to our foundation works and ancillary services. There are certain exposures which are generally excluded for commercial reasons. Such exposures may include potential losses due to war, terrorism, pollution, fraud, professional negligence and acts of God. Our insurers may become impaired and find themselves financially unable to meet claims. For a more detailed description, please refer to the paragraphs headed “Business – Insurance – machinery and equipment” and “Business – Insurance – employees” set out in this prospectus.

In the event that we suffer from any losses, damages or liabilities in the course of our business operations which our insurance does not cover, we may not have sufficient funds to cover such losses, damages or liabilities. The resulting payment to cover such losses, damages or liabilities may have a material adverse effect on our business, results of operations and financial position.

Our cash flows may be affected by payment terms

Given the nature of our projects, net cash outflows are normally recorded at the early stages of our foundation works and ancillary services projects when we are typically required to pay for the set up expenditures and deposit for performance bond in respect of some of our foundation works and ancillary services projects. Our Group submits payment applications to our customers usually on a monthly basis. Normally, the cash flows for a project will turn into cumulative net cash inflows as the project progresses and our works are certified.

RISK FACTORS

Our cash flow position may be adversely affected in the event that our Group takes up too many significant projects at a particular period of time, which require substantial initial set up costs without cash inflow from other projects during such period.

Furthermore, a portion of the contract value, typically subject to a maximum retention of 1.0% to 5.0% of the total original contract value or monetary cap, is withheld by our customers as retention money. Please refer to the paragraph headed “Business – Contract payments and certification” in this prospectus for further details. As at 31 March 2012, 2013 and 2014, retention receivables of approximately HK\$4.6 million, HK\$26.5 million and HK\$50.8 million, respectively was retained by our customers.

There is no assurance that progress payment would 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 at the same level as in the Track Record Period. Any failure by our customers to make remittance on time and/or in full may have an adverse effect on our future cash flow and liquidity position.

Our growth strategy may require additional capital, which may not be available on favourable terms or at all

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

Labour disputes

Owing to the nature of our business, there is a possibility that our Group may face claims arising from labour disputes. There can be no assurance that disputes, work stoppages or strikes will not arise in the future. Furthermore, there can be no assurance that there will not be new labour laws, rules and regulations which may lead to potential and future disputes with our employees or increases in our labour costs. Where such events occur, our business, financial condition and results of operations may be adversely affected.

RISK FACTORS

Weather conditions, natural disasters, other acts of God, political unrest and other events may have negative impact on the foundation industry

Weather conditions, natural disasters and other acts of God which are beyond our control may materially and adversely affect the economy, the foundation industry and our business. Our operations and financial condition may be adversely affected.

Political unrest may cause damage or disruption to our business, our employees and our markets, any of which could materially and adversely affect our overall results of operations and financial condition.

In addition, power failures, fire or explosions or other natural disasters could cause disruptions in our Group's operations or cause delays in its delivery schedules.

Furthermore, Hong Kong has in recent years encountered different types of epidemics, which have caused various degrees of damage to the economy of Hong Kong and, in turn, the foundation industry. If an epidemic outbreak occurs in Hong Kong and/or Macau, the economy of Hong Kong and/or Macau may suffer which will in turn adversely affect our results of operations.

Failure to comply with our health and safety and environmental responsibilities may adversely affect our operations and profitability

Under the relevant laws of Hong Kong and Macau, construction and foundation works are required to fulfil certain health and safety and environmental responsibilities. Failure to comply with and satisfy such health and safety and environmental responsibilities may lead to the suspension of relevant licences to operate and, in turn, adversely affect our business operations and financial conditions.

Competition in the foundation industry in which we operate could reduce our market share and business results

We believe that the operation of a business which undertakes foundation works and ancillary services, in particular, large diameter bored piling works, is machinery orientated and capital intensive. In addition, we are of the view that a thorough understanding and knowledge of the ground conditions is essential to produce a competitive foundation design and an effective and efficient construction method. The foundation industry in Hong Kong and Macau have a number of participants, including (i) 134 Buildings Department Registered Specialist Contractors for the Foundation Category; and (ii) 801 construction contractors registered with the DSSOPT, as at the Latest Practicable Date. Occasionally, new participants may wish to enter the industry if they have the appropriate skills, experience, necessary machinery and equipment, capital and are granted the requisite licences by the relevant regulatory bodies. If there is a relaxation of requirements for the grant of requisite licences and an increase in the number of participants in the foundation industry without a corresponding increase in foundation works, competition within the foundation industry would intensify.

With intensified competition, we may have to compete for projects by reducing our prices. In addition, there is no assurance that our competitors will not have the necessary technical expertise and resources to provide more competitive services than ours. Failure to maintain or enhance our competitiveness within the foundation industry and maintain our client base may result in a reduction of profit, which would adversely affect our financial performance.

RISK FACTORS

RISKS RELATING TO DOING BUSINESS IN MACAU

A cyclical fluctuation in the Macau market, in particularly the construction industry, will affect our financial performance

Despite deriving nil and approximately 10.8% of our Group's revenue from projects based in Macau for the two years ended 31 March 2013, approximately 92.4% of our revenue from foundation works and ancillary services was derived from our projects based in Macau for the year ended 31 March 2014. Subsequent to the Hotel Tower Project, our Group was awarded two additional Macau based projects, namely the Composite Development Project and the Hotel Casino Project in January 2014 and February 2014, respectively. The aggregated contract sum (excluding all contingent and/or provisional contract amounts) of the Composite Development Project and the Hotel Casino Project is estimated to be approximately HK\$816.9 million.

Therefore, a downturn in the Macau construction industry is likely to have an adverse impact on our business and profitability due to the possibility of postponement, delay or cancellation of construction projects and delay in recovery of receivables.

Conducting business in Macau involves certain economic and political risks

Conducting foundation works and ancillary services business in Macau involves certain risks not typically associated with investments in companies with operations outside of Macau. Such risks include those relating to changes in Macau's economic and political conditions, changes in the policies of the Macau Government, changes in laws of Macau or regulations or their interpretation, changes in exchange control regulations, potential restrictions on foreign investment and repatriation of capital, measures that may be introduced to control inflation such as interest rate increases, and changes in the rates or method of taxation.

Unfavourable changes in currency exchange rates

During the Track Record Period, our Group generated revenues of approximately nil, MOP41.6 million and MOP469.5 million in Pataca, respectively.

Although our revenues are expressed in Hong Kong dollars, the revenue generated in Macau may be in Patacas. The Pataca is linked to the Hong Kong dollar, and in many cases the two are used interchangeably in Macau. The exchange linkages of the Hong Kong dollar and Pataca, and the Hong Kong dollar and the US dollar, may be subject to potential changes due to, among other things, the policies of Hong Kong and Macau and international economic and political developments.

We cannot provide assurance that the Hong Kong dollar will continue to be pegged to the US dollar, or that the Pataca will continue to be linked to the Hong Kong dollar. Any delinkage may result in severe fluctuations in the exchange rates for these currencies. We also cannot assure you that the current rate of exchange fixed by the applicable monetary authorities for these currencies will remain at the same level.

RISK FACTORS

RISKS RELATING TO DOING BUSINESS IN HONG KONG

Our operations are principally dependent on the general economic and political conditions in Hong Kong, and policies adopted by the Government, especially policies related to the Hong Kong property market and infrastructure development

During the Track Record Period, our Group derived approximately 100.0%, 89.2% and 7.6% of our revenue from Hong Kong. Our business and prospects principally depend on the general economic conditions of Hong Kong, especially the building and construction activities in the Hong Kong property market and infrastructure development activities. Any downturn in building and construction activities in the Hong Kong property market and/or reduction in infrastructure development activities may reduce the demand of our customers and consequently adversely affect the profitability and financial performance of our business operations.

The building and construction activities are also influenced by Government policies. Our operations and financial results may be adversely affected by changes in political and economic conditions or the relevant policies adopted by the Government. Such changes may include fiscal policies, taxation policies, legal regulations and other relevant changes. There is no assurance that Government policies and market environment in Hong Kong would not change and changes may adversely affect our business operations.

Should there be a decrease in the level of public spending due to any adverse changes in Government policies such as the deferment of implementation of any infrastructure projects or should our Group be unable to obtain substantial private sector projects in view of the then prevailing economic conditions in Hong Kong, our Group's business and results would be adversely affected. Furthermore, any economic downturn or downward pressure on the Hong Kong property market and/or reduction in infrastructure development activities could bring an adverse effect on our operations in the future.

Political consideration of Hong Kong

As Hong Kong is a special administrative region of the PRC, the PRC may, by its political and economic policies, exert influence on the foregoing aspects of Hong Kong. The PRC economy features a high degree of government involvement. In recent years, the PRC Government has implemented various measures to guide the allocation of resources so as to narrow the gaps between economic developments in different regions in the country. We cannot foresee or give any assurance that the PRC Government will not in the near future adopt policies that will adversely affect the political, legal and economic conditions of Hong Kong which may in turn materially affect our business.

The annual budget of the Government, including its estimates of expenditure, is subject to the passing of the Appropriation Bill by the Legislative Council of Hong Kong. Upon the enactment of the Appropriation Ordinance, the estimates of expenditure are deemed to be approved. However, the passing of such bill may from time to time experience undue delay caused by prolonged discussion within the Legislative Council of Hong Kong which could in turn delay the implementation of Government funded projects and thereby may adversely affect our business.

During the Track Record Period, our Group derived revenue of approximately HK\$93.1 million, HK\$5.0 million and nil from public sector projects, respectively. As at the Latest Practicable Date, two of five of our contracts on hand are public sector projects, the aggregate contract sum (excluding contingent and provisional contract amounts) of these two public sector projects totalled to approximately HK\$239.0 million.

RISK FACTORS

Currency peg system in Hong Kong

Since 1983, Hong Kong dollars have been pegged to the US dollars at the rate of approximately HK\$7.80 to US\$1.00. There is no assurance that this policy will not be changed in the near future. If the pegging system collapses and the Hong Kong dollars suffer devaluation, the Hong Kong dollars cost of our Group's foreign currency expenditures may increase. This would in turn adversely affect the operations and profitability of our Group's business.

RISK FACTORS

RISKS RELATING TO THE SHARE OFFER

An active trading market for our Shares may not develop

Prior to the Listing, there was no public market for our Shares. The Offer Price is the result of negotiations between our Company and the Joint Lead Managers (on behalf of the Underwriters), and may differ from the market prices of the Shares after the Listing. However, there is no assurance that the Listing will result in the development of an active and liquid public trading market for the Shares.

The trading volume and share price of our Shares may be volatile

The price and trading volume of our Shares may be volatile. Factors such as variations in our earnings, turnover and cash flows and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in prices for our foundation works and ancillary services or fluctuations in market prices for comparable companies could cause the market price of our Shares to change substantially. In addition, the market price of the Shares may also fluctuate significantly and rapidly as a result of factors which are beyond our control.

Furthermore, stock markets and the shares of some listed companies in Hong Kong have experienced increasing price and volume fluctuations in recent years, some of which may have been unrelated or disproportionate to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of the Shares.

Investors of our Shares may experience dilution if we issue additional Shares in the future

We may need to raise additional funds in the future to finance expansion or acquisitions relating to our existing operations. If additional funds are raised through the issuance of new equity or equity-linked securities of our Group other than on a pro-rata basis to our existing Shareholders, the percentage ownership of our Shareholders in our Group may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Shares.

RISK FACTORS

Future sales of a substantial number of our Shares by our existing Shareholders in the public market may materially and adversely affect the prevailing market price of our Shares

The Shares held by certain of our existing Shareholders are subject to lock-up commencing on the date on which trading of our Shares commences on the Stock Exchange. While we are not aware of any intentions of our existing Shareholders to dispose of a significant amount of their Shares upon expiry of the relevant lock-up periods, there is no assurance that they would not dispose of the Shares held by them. We cannot predict the subsequent effect on the market price of our Shares after any of such disposal. Sale of substantial amounts of the Shares by any of our existing Shareholders, or the market perception that such sales may occur, could have a material and adverse effect on the prevailing market price of our Shares.

Our plans for future dividend policy and payments are subject to the discretion of our Board

The amount of dividends that we may declare and pay to our Shareholders in the future will be subject to the discretion of our Board and depends on our earnings, cash flow, financial position, distributable reserves, capital requirements, working capital and other conditions that our Directors deem relevant. The amount of distributions that any company within our Group has paid in the past may not be used as an indication to the dividends that we will pay in the future.

No undue reliance should be placed by prospective investors on industry and market overview and statistics derived from official government publications contained in this prospectus

Certain statistics, facts, data and forecasts presented in the section headed “Industry Overview” and elsewhere in this prospectus including those relating to Hong Kong and Macau, the Hong Kong economy, the Macau economy and the foundation industry have been derived, in part, from various publications and industry-related sources prepared by governmental officials or Independent Third Parties. Such statistics, facts, data and forecasts have not been independently verified by us, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisers or any other party involved in the Share Offer and no representation is given as to their accuracy and completeness. Therefore our Group makes no representation as to the accuracy of such statistics, facts, data, forecasts and other information, which may not be consistent with other information compiled within or outside Hong Kong or Macau. Due to the possible flawed or ineffective collection methods or discrepancies in the published information, market practice and other problems, the statistics from official government publications referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies. In addition, there is no assurance and guarantee that they were stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, prospective investors should consider how much weight or importance they would put into, or place on, such statistics, facts, data, forecasts and other information.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

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 Joint Bookrunners, the Joint Lead Managers, 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 find out for 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

This prospectus is published solely in connection with the Share Offer, which is sponsored by the Sponsor. Subject to the terms of the Underwriting Agreements (including the determination of the final Offer Price by agreement between our Company and the Joint Lead Managers (on behalf of the Underwriters) on the Price Determination Date or such later time as may be agreed by our Company and the Joint Lead Managers (on behalf of the Underwriters)), the Offer Shares are fully underwritten by the Underwriters under the Underwriting Agreements. For particulars of the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by agreement by the Joint Lead Managers (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 8 October 2014. If, for whatever reason, our Company and the Joint Lead Managers (on behalf of the Underwriters) are not able to agree on the Offer Price by Friday, 10 October 2014, the Share Offer will not proceed.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have 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 any additional Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). Save as disclosed in this prospectus, no part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

OFFER SHARES TO BE OFFERED IN HONG KONG ONLY

No action has been taken in any jurisdiction other than Hong Kong to permit the public offering of the Offer Shares or the distribution of this prospectus and/or Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or Application Forms 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 such 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 restrictions 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. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

SHARE REGISTERS AND STAMP DUTY

All issued Offer Shares will be registered on our branch register of members to be maintained in Hong Kong by our Hong Kong Share Registrar. Our Company's principal register of members will be maintained by our principal share registrar and transfer office, Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

Unless determined otherwise by our Company, dividends payable in HK dollars in respect of the Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named Shareholder therein in accordance with the Articles of Association.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for the listing of, and permission to deal in, the Shares on the Stock Exchange and the compliance 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 Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of holding and dealing in our Shares. It is emphasised that none of our Company, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Sponsor, any of their respective directors, supervisors, agents or advisors or any other person involved in the Share Offer accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of 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 and Employee Reserved Shares” in this prospectus and on the relevant Application Forms.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Thursday, 16 October 2014. Shares will be traded in board lots of 2,000 Shares each.

The stock code of the Shares is 3822.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Lau Chun Ming (劉振明先生) (Chairman)	Simplex 1 (also known as Simplex A) 29th Floor (including the flat roof(s) of Block 1) Block 1, Parc Palais 18 Wylie Road Ho Man Tin, Kowloon Hong Kong	Chinese
Mr. Lau Chun Kwok (劉振國先生) (Chief Executive Officer)	Flat C, 16th Floor Block 2, Parc Palais 18 Wylie Road Ho Man Tin, Kowloon Hong Kong	Chinese
Mr. Lau Chun Ka (劉振家先生)	Flat C, 15th Floor Block 2, Parc Palais 18 Wylie Road Ho Man Tin, Kowloon Hong Kong	Chinese
Ms. Leung Lai So (梁麗蘇女士)	Simplex 1 (also known as Simplex A) 29th Floor (including the flat roof(s) of Block 1) Block 1, Parc Palais 18 Wylie Road Ho Man Tin, Kowloon Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Chu Tak Sum (朱德森先生)	Flat A, 14th Floor Billion Court 63-69 Wuhu Street Hung Hom, Kowloon Hong Kong	Chinese
Mr. Ip Tin Chee, Arnold (葉天賜先生)	A1 Brewin Court 5 Brewin Path Hong Kong	British
Professor Wong Sue Cheun, Roderick (王世全教授)	Flat A, 7th Floor Village Gardens 19 Fa Po Street Kowloon Tong, Kowloon Hong Kong	Canadian

Further information is disclosed in the “Directors and Senior Management” section.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor

Investec Capital Asia Limited
3609, 36th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

Investec Capital Asia Limited
3609, 36th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Kingston Securities Limited
Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Guosen Securities (HK) Capital Company Limited
42nd Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Co-Lead Managers (*in alphabetical order*)

Astrum Capital Management Limited
11th Floor, 122 QRC
Nos. 122-126 Queen's Road Central
Central
Hong Kong

Ever-Long Securities Company Limited
18th Floor
Dah Sing Life Building
99-105 Des Voeux Road Central
Hong Kong

SBI China Capital Financial Services Limited
Unit A2, 32nd Floor
United Centre
95 Queensway
Hong Kong

Sun Securities Limited
Rm 1504, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law:

TC & Co.
Unit 2201-3, 22nd Floor
Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

As to Macau law:

Rato, Ling, Vong, Lei & Cortés - Advogados
Avenida da Amizade No. 555
Macau Landmark
Office Tower 23°, 2301-2302
Macau

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

	<p><i>As to PRC law:</i> Hills & Co. 11th Floor, Central Tower No. 88 Fu Hua 1st Road Fu Tian District Shenzhen PRC</p>
	<p><i>As to Cayman Islands law:</i> Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands</p>
Legal advisers to the Sponsor and the Underwriters	<p><i>As to Hong Kong law:</i> Iu, Lai & Li Solicitors & Notaries Rooms 2201, 2201A & 2202, 22nd Floor Tower I, Admiralty Centre No. 18 Harcourt Road Hong Kong</p>
	<p><i>As to Macau law:</i> Chio Tak Wo, Advogado Avenida do Dr. Rodrigo Rodrigues N° 600E, Edificio Centro Comercial First Nacional 21° Andar Apt. 2106-2107 Macau</p>
Reporting Accountant	<p>PricewaterhouseCoopers <i>Certified Public Accountants</i> 22nd Floor, Prince's Building Central Hong Kong</p>
Property valuer	<p>Asset Appraisal Limited Room 901, 9th Floor On Hong Commercial Building No. 145 Hennessy Road Wanchai Hong Kong</p>
Receiving bank	<p>DBS Bank (Hong Kong) Limited 16th Floor, The Center 99 Queen's Road Central Central Hong Kong</p>

CORPORATE INFORMATION

Registered office	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P. O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters, head office and principal place of business in Hong Kong	Unit 1310-13, 13 th Floor 113 Argyle Street Mongkok Kowloon Hong Kong
Company's website	www.samwoo-group.com <i>(Note: contents in this website do not form part of this prospectus)</i>
Company secretary	Mr. Chan Sun Kwong
Audit Committee	Mr. Ip Tin Chee, Arnold (<i>Chairman</i>) Mr. Chu Tak Sum Professor Wong Sue Cheun, Roderick
Remuneration Committee	Mr. Chu Tak Sum (<i>Chairman</i>) Professor Wong Sue Cheun, Roderick Mr. Ip Tin Chee, Arnold Mr. Lau Chun Ming
Nomination Committee	Professor Wong Sue Cheun, Roderick (<i>Chairman</i>) Mr. Ip Tin Chee, Arnold Mr. Chu Tak Sum Mr. Lau Chun Ming
Authorised representatives	Mr. Lau Chun Ming Simplex 1 (also known as Simplex A) 29th Floor (including the flat roof(s) of Block 1) Block 1, Parc Palais 18 Wylie Road Ho Man Tin, Kowloon Hong Kong Mr. Chan Sun Kwong Flat B1, 9th Floor Pak On Building 105 Austin Road Tsim Sha Tsui, Kowloon Hong Kong

CORPORATE INFORMATION

Compliance adviser

Investec Capital Asia Limited
3609, 36th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Principal banker(s)

**The Hong Kong and Shanghai
Banking Corporation Limited**
HSBC Main Building
1 Queen's Road
Central
Hong Kong

Luso International Banking Limited
Avenida Dr. Mário Soares No. 47, Macau

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

DBS Bank (Hong Kong) Limited
G/F., The Center
99 Queen's Road Central
Central
Hong Kong

Chong Hing Bank Limited
G/F., Chong Hing Bank Centre
24 Des Voeux Road
Central
Hong Kong

Principal share registrar and transfer office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

**Hong Kong branch share registrar
and transfer office**

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
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 Joint Bookrunners, the Joint Lead Managers, 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 Joint Bookrunners, the Joint Lead Managers, 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.

SOURCES OF INFORMATION

In connection with the Share Offer, we have engaged Ipsos Hong Kong Limited (“**Ipsos**”), an independent third party, to conduct an analysis of, and to report on, the foundation industry in Hong Kong and Macau. Ipsos, being one of the worldwide offices of the Ipsos group, a global consulting group, publicly listed on the New York Stock Exchange and Euronext Paris, has experience in conducting market research for various industries in initial public offerings of companies listed on the Stock Exchange, including but not limited to, infrastructure construction contracting, foundation and comprehensive architecture service.

Ipsos has conducted research and data gathering based on (i) client consultation; (ii) desk research; and (iii) primary research, including face-to-face / phone interviews with key stakeholders and industry experts such as foundation work companies, main contractors, developers, architects, industry experts and association etc. in Hong Kong and Macau to understand and test data collected from secondary source, to build industry consensus data, and to rank competitors. In addition, intelligence gathered was analysed, assessed and validated using Ipsos' in-house analysis models and techniques.

The information and analysis set out in the Ipsos Report was assessed independently by Ipsos and Ipsos, including all its subsidiaries, divisions and units, is not connected to our Group. We agreed to pay Ipsos a fee of HK\$368,000 for the preparation of the Ipsos Report, which had been paid as of the date of this prospectus.

INDUSTRY OVERVIEW

The following assumptions are used in the Ipsos Report:

- The global economy is assumed to maintain steady growth throughout the forecast period
- It is assumed that there are no external shocks such as a financial crisis or the wide outbreak of diseases to affect the demand and supply of foundation services in Hong Kong and Macau during the forecast period
- The demand for foundation services in Hong Kong and Macau is expected to grow due to increasing government investment in infrastructure projects, coupled with increasing demand for residential and commercial buildings in both Hong Kong and Macau

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

- GDP growth rate in Hong Kong and Macau from 2006 to 2018
- Growth in the number of enterprises in Hong Kong and Macau from 2006 to 2013
- Growth in the number of tourists in Hong Kong and Macau from 2006 to 2013
- Growth in the public expenditure on infrastructure in Hong Kong and Macau from 2006 to 2013
- Construction costs including raw materials and labour wages in Hong Kong and Macau from 2009 to 2013
- Hong Kong Government's outlined "Five-Year Plan" to reserve approximately 150 sites for residential use, which would potentially provide about 210,000 public and private units. In addition, the redevelopment of public housing estates could provide approximately 11,900 additional public rental housing and Home Ownership Scheme units
- The Macau Government policies to improve infrastructure by upgrading the city's drainage systems and medical facilities. Furthermore, the Macau Government is dedicated to improving connectivity with the PRC by building bridges and crossings that connect Macau to the PRC and Hong Kong.

Our Group provides foundation works and ancillary services in Hong Kong and Macau to both the private and public sectors. During the Track Record Period, projects completed by our Group included foundation works of building projects in the private sector and foundation works of infrastructure projects in the public sector in Hong Kong. In addition, our Group has also generated revenue from foundation works and ancillary services for a construction project based in Macau in each of the two years ended 31 March 2013 and 2014.

INDUSTRY OVERVIEW

Introduction

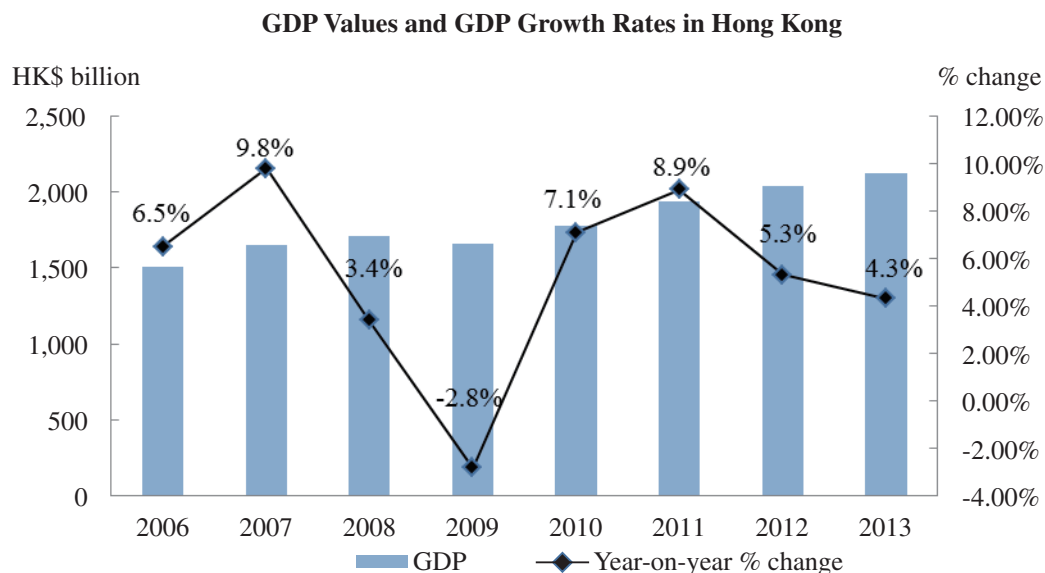
Construction projects can broadly be divided into public sector projects and private sector projects. Our Group classifies public sector works as those contracts in which the ultimate employer is a government department, statutory body or related organisations, or institutional body, and private sector works as those contracts whose the ultimate employer are other than those mentioned above. The public sector market is affected by Government policies and budget, while the private sector market is influenced by factors such as economic prospect, land supply and the market demand for properties.

MARKET OVERVIEW OF THE CONSTRUCTION INDUSTRY IN HONG KONG

Hong Kong economy

The state of the economy in Hong Kong has an influence on the construction and foundation industry. Historically, during periods of strong economic growth, the construction industry experienced investment from both the public and private sector. Save for 2009, Hong Kong recorded growth in its GDP between 2006 and 2014, largely due to or influenced by economic growth in the PRC. GDP increased from approximately HK\$1,659 billion in 2009 to approximately HK\$2,125 billion in 2013, representing a CAGR of approximately 6.4%. The growth momentum experienced since 2010 is forecast to continue as the PRC's stimulus and moderate expansionary fiscal policy are expected to positively influence Hong Kong's economy. Taking into account the ongoing demographic and external challenges, the economy of Hong Kong is expected to attain a trend growth rate of 3.5% per annum from 2015 to 2018.

The chart below sets out the GDP and GDP growth rates in Hong Kong from 2006 to 2013:



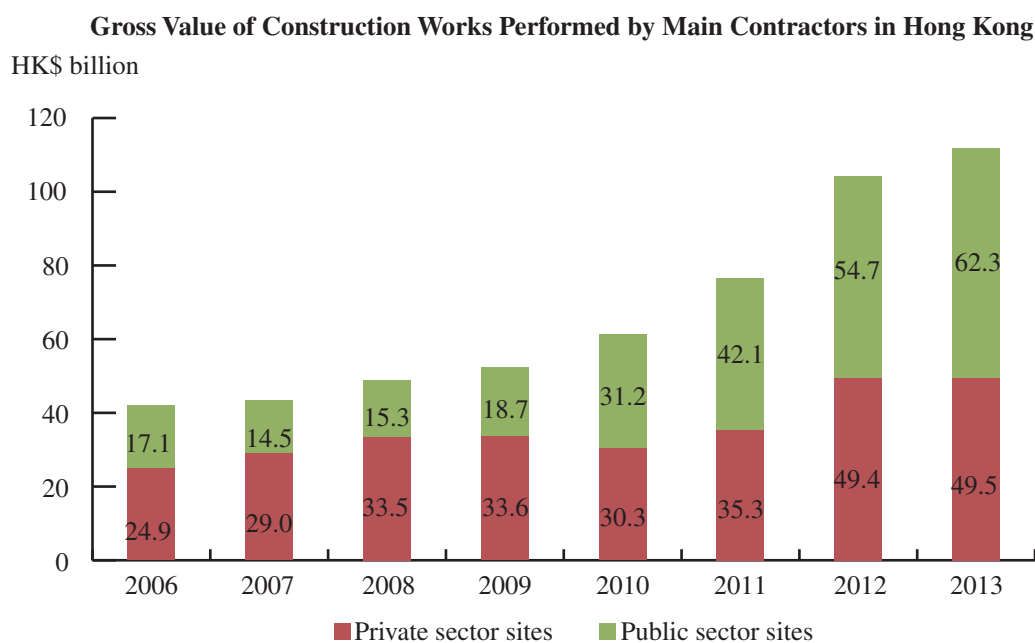
Source: Hong Kong Census and Statistics Department

INDUSTRY OVERVIEW

The Hong Kong construction industry's role in the economy

The Hong Kong construction industry accounted for approximately 3.0% to 3.5% of total GDP from 2009 to 2012 and has experienced substantial growth during this period. The total gross output value of construction works performed by major construction contracting work companies in Hong Kong increased from approximately HK\$52.3 billion in 2009 to HK\$111.8 billion in 2013, representing a CAGR of approximately 20.9%. This was primarily attributable to the increase in the total value of construction projects commissioned by the public sector between 2009 and 2013. The gross value of private construction works performed by main contractors in Hong Kong increased from approximately HK\$33.6 billion in 2009 to approximately HK\$49.5 billion in 2013, representing a CAGR of approximately 10.2%. The gross value of public construction works performed by main contractors in Hong Kong increased from approximately HK\$18.7 billion in 2009 to approximately HK\$62.3 billion in 2013, representing a CAGR of approximately 35.1%. The contribution from the private sector to Hong Kong's total construction works has decreased from approximately 64.2% in 2009 to 44.3% in 2013. On the other hand, the contribution from the public sector increased from approximately 35.8% in 2009 to approximately 55.7% in 2013.

The chart below sets out the gross value of construction works performed by main contractors in Hong Kong from 2006 to 2013:



Source: Hong Kong Census and Statistics Department

INDUSTRY OVERVIEW

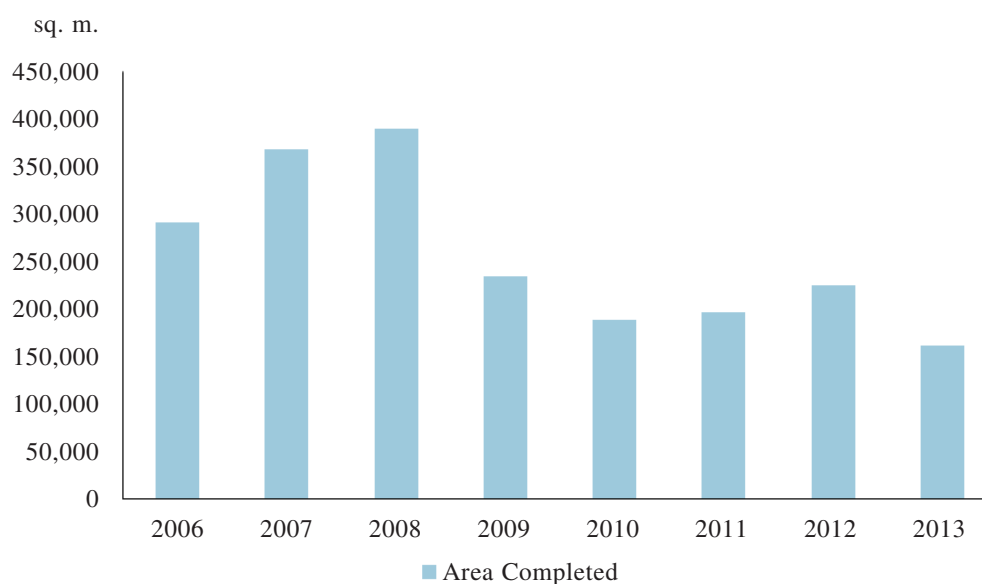
Macroeconomic factors influencing the construction industry in Hong Kong

Demand for commercial buildings and retail space

Hong Kong's economic policy of free enterprise, free trade, low tax rates, high connectivity to global markets and highly regulated financial systems has made Hong Kong an attractive location for the PRC and overseas companies. This should continue to drive demand for commercial office and retail space from 2015 to 2020. Furthermore, retail trade is one of the main pillars of Hong Kong's economy which is primarily driven by tourists from the PRC and other parts of the world. The gross private office and commercial space completed in 2013 was approximately 161,100 sq. m., representing a year-on-year decrease of approximately 28.6% from 2012 to 2013. Purchase prices of retail space per sq. m. increased by approximately 3.0% and retail rentals per sq. m. increased by approximately 6.0% between 2012 and 2013 as a result of growth in tourism and the limited availability of retail space.

The chart below sets out the area of private office and commercial space completed in Hong Kong from 2006 to 2013:

Area of Private Office and Commercial Space Completed in Hong Kong



Source: Ratings and Valuation Department, Hong Kong

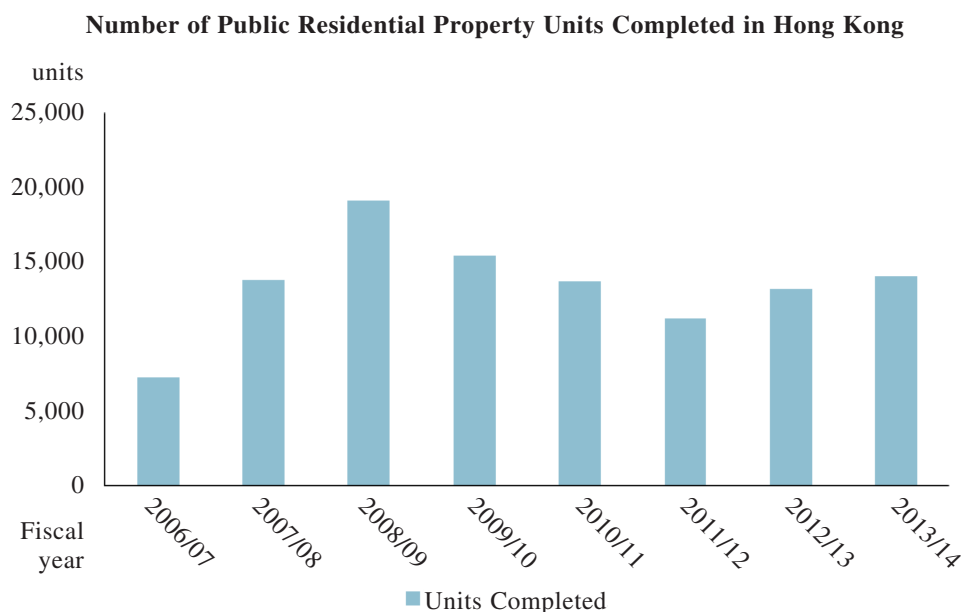
Demand for residential buildings

Public and private sector demand for residential buildings is a key driver of the construction industry in Hong Kong. As of the end of December 2013, there were approximately 121,100 general applicants and 122,200 non-elderly one-person applicants under the Quota and Points System on the Waiting List for Public Rental Housing, with an average waiting time of approximately 2.7 years and 1.5 years, respectively. The supply of residential buildings is expected to increase due to the implementation of a Government initiative to reduce the average waiting time for public rental housing applicants.

INDUSTRY OVERVIEW

The Housing Authority provides public residential housing in order to satisfy the housing needs of low income families. In fiscal year 2011/12 the Housing Authority put in place a five-year rolling public housing construction program to produce 75,000 public residential units. The number of public residential property units completed increased from approximately 11,200 in fiscal year 2011/12 to 14,100 in fiscal year 2013/14, representing a CAGR of approximately 12.2%.

The chart below sets out the completion of public residential units from fiscal year 2006/07 to fiscal year 2013/14:



Source: Housing Authority, Hong Kong

The private property sector has benefited from the low interest rate environment and sound economic fundamentals in Hong Kong and the PRC. As a result of demand for private residential housing, the mean price per sq. m. increased from approximately HK\$80,000 in 2009 to HK\$130,000 in 2013, representing a CAGR of approximately 12.9%. The number of private residential units completed increased from approximately 7,200 units in 2009 to 8,300 units in 2013, representing a CAGR of approximately 3.6%.

INDUSTRY OVERVIEW

The chart below sets out the completion of private residential units during the period from 2006 to 2013:



Source: Rating and Valuation Department, Hong Kong

Government policies and regulations affecting the construction industry in Hong Kong

Investment in infrastructure by the Government

Public expenditure on infrastructure in Hong Kong has increased from approximately HK\$47.7 billion in 2009 to HK\$74.6 billion in 2013, representing a CAGR of approximately 11.8%. Government spending on infrastructure in 2015 is anticipated to be approximately HK\$78.2 billion, a forecast year-on-year increase of approximately 4.8% from 2014 to 2015.

The “Ten Major Infrastructure Projects” are expected to increase the connectivity between Hong Kong and the western Pearl River Delta, as well as driving Hong Kong’s economy through construction demand and creation of jobs.

INDUSTRY OVERVIEW

The scheduled completion and estimated cost of the “Ten Major Infrastructure Projects” in Hong Kong as at April 2014 is as follows:

Infrastructure Project	Scheduled Completion	Estimated Cost
Kai Tak Development	2020	HK\$40.1 billion
South Island Line (East)	2015	HK\$0.9 billion <i>(Note 1)</i>
Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link	2017	HK\$66.8 billion
Hong Kong-ZhuHai-Macao Bridge	2016	HK\$64.8 billion
Shatin to Central Link	2020	HK\$79.8 billion
Hong Kong-Shenzhen Western Express Line	Under planning	Not available
Lok Ma Chau Loop	Under planning	Not available
New Development Areas	Under planning	Not available
Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass	2018	HK\$46.7 billion
West Kowloon Cultural District	2015	HK\$21.6 billion

Source: Secretary for Development, Mr Paul Chan dated 30 April 2014, Legislative Council, Hong Kong

Note:

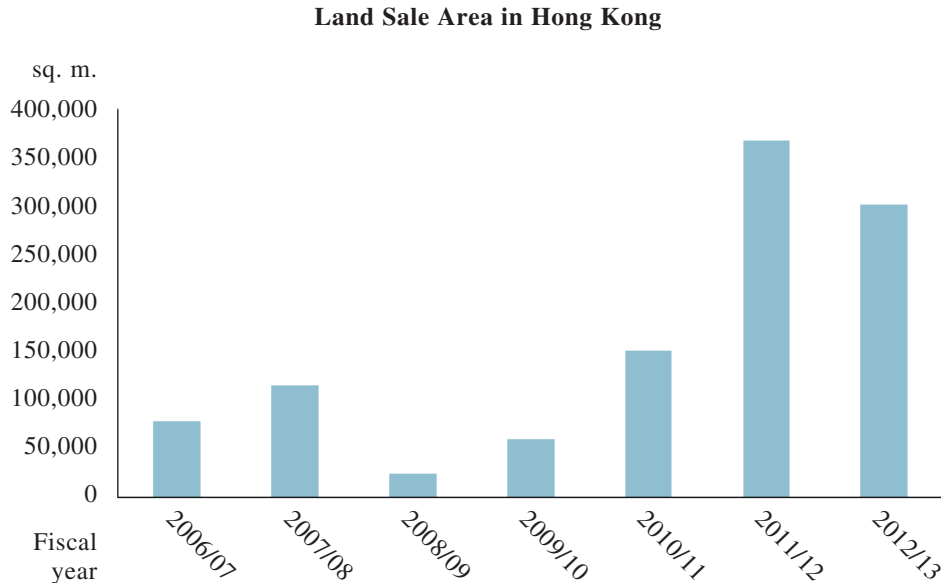
(1) Only includes major public infrastructure projects funded by the Government.

Resumption of the Land Sale Program

The Land Sale Program has contributed towards the growth of the construction and foundation industries in Hong Kong since 2010. The Government established the program to increase land supply for housing with a view to maintaining a stable property market. The Government increased the total land sale area from approximately 24,600 sq. m. in fiscal year 2008/09 to 301,500 sq. m. in fiscal year 2012/13, representing a CAGR of approximately 87.1%. According to the 2014/15 Land Sale Program, 34 residential sites will be made available for sale, which should provide approximately 15,500 housing units as well as seven sites for commercial or business use, representing a total of approximately 230,000 sq. m. of floor space and approximately 1,100 hotel rooms.

INDUSTRY OVERVIEW

The chart below illustrates the total land sale area from fiscal year 2006/07 to fiscal year 2012/13:



Source: Government Budget, Hong Kong

Supplementary Labour Scheme

There are a number of factors contributing to a labour shortage in the construction industry in Hong Kong. This shortage is primarily attributable to a decrease in the number of people entering the construction industry as workers, the retirement of current workers and the increase in demand brought about by the scale and number of construction projects being undertaken in Hong Kong. Due to the ongoing skilled labour shortage, the Government introduced the Supplementary Labour Scheme for foundation and construction employers which experienced difficulties in recruiting suitable workers locally. Under the Supplementary Labour Scheme, if a company is unable to employ adequate labour after advertising for four weeks, they are permitted to recruit labour at technician level or below from outside Hong Kong. This scheme is expected to reduce the number of vacancies and increase the supply of labour for Hong Kong's construction industries, including that of foundation works.

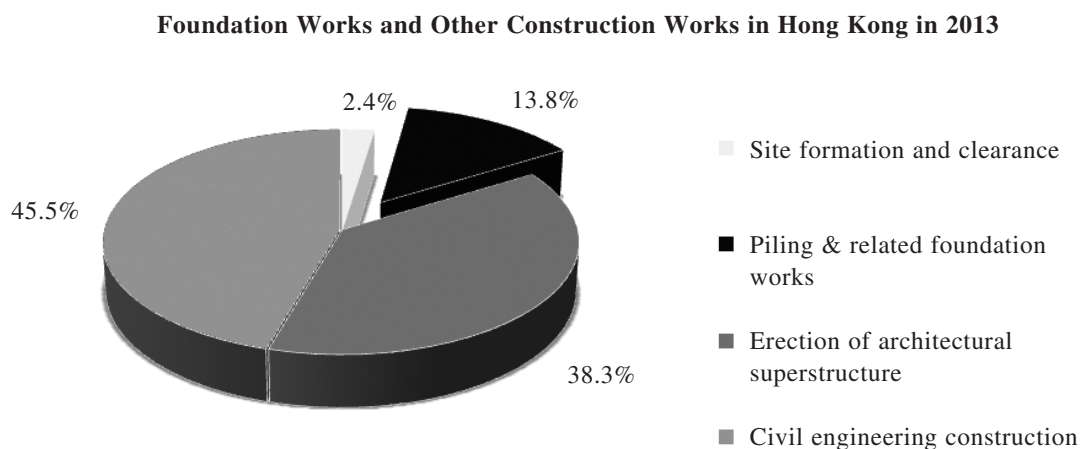
MARKET OVERVIEW OF THE FOUNDATION INDUSTRY IN HONG KONG

The foundation industry is a significant component of the construction industry in Hong Kong. Bored piles, socketed H-piles, precast pre-stressed concrete piles and mini-piles are commonly used in foundations. Substructures as well as superstructure works are supported by foundation works. Substructures range from a simple foundation, basement or subfloor to more complex structures such as subways or underground tunnels, whereas a superstructure is that which is built above the substructure. The quality of the foundation work is vital to a building's safety. Therefore, the demand for foundation works has a positive correlation with the demand for construction projects.

INDUSTRY OVERVIEW

Subcontracting is common throughout Hong Kong's construction and foundation industries. Main contractors outsource various construction tasks to subcontractors. A typical construction project involves four major works areas, namely, (i) site formation and clearance; (ii) piling and related foundation works; (iii) erection of architectural superstructure; and (iv) civil engineering construction.

The following chart illustrates the respective share of the gross value of construction works at construction sites in Hong Kong in 2013 of the abovementioned four major works areas:



Source: Census and Statistics Department, Hong Kong

Piling and related foundation works accounted for approximately 13.8% of the gross value of construction works at construction sites in Hong Kong for 2013.

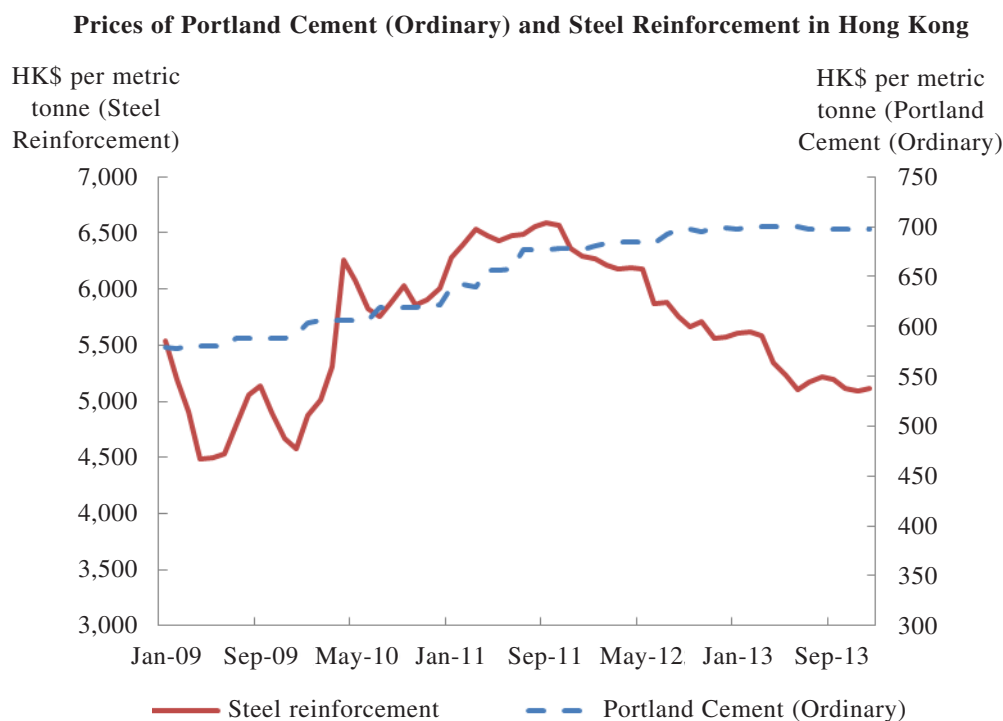
Recent developments

Raw material prices

The principal materials utilised in the foundation works industry are concrete and steel. As cement is a major ingredient used in producing concrete, the market price of cement is related to the market price of concrete. We believe the prices generally represent the overall market price trend of cement and steel in Hong Kong as the pricing for cement and steel is not affected by the sector category of the projects.

INDUSTRY OVERVIEW

The chart below sets out the prices of portland cement (ordinary) and steel reinforcement in Hong Kong for public sector construction projects from 2009 to 2013:



Source: Census and Statistics Department, Hong Kong

The price of portland cement (ordinary) increased from approximately HK\$579 per metric tonne in January 2009 to HK\$698 per metric tonne in December 2013, representing an increase of approximately 20.6%. In Hong Kong, the price of steel reinforcement decreased from approximately HK\$5,536 per metric tonne in January 2009 to approximately HK\$4,531 per metric tonne in June 2009, subsequently increased to approximately HK\$6,482 per metric tonne in June 2011, the increase from June 2009 to June 2011 representing an increase of approximately 43.1%. From June 2011 to December 2013, the price of steel reinforcement decreased from approximately HK\$6,482 per metric tonne to approximately HK\$5,118 per metric tonne, representing a decrease of approximately 21.0%.

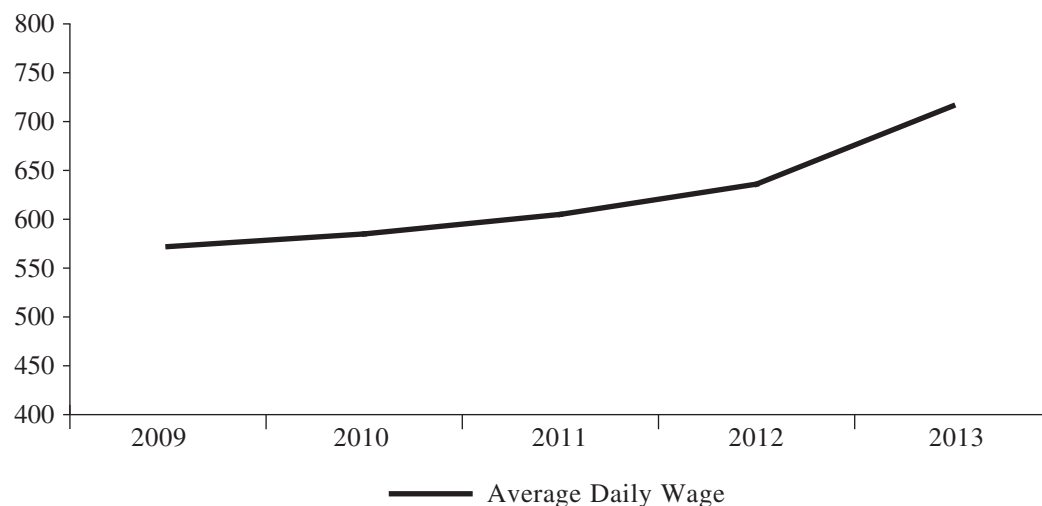
Labour

Although the number of workers registered with the Buildings Department has increased from approximately 268,000 in 2009 to 322,000 in 2013, only approximately 21.9% of those registered workers were actively in the market as of May 2014. In addition, the construction industry is suffering from a shortage of new entrants and an ageing workforce. In 2013, of the 5,500 trainees who enrolled for various construction courses organised by the Construction Industry Council only approximately 58.2% graduated. Such graduates also require time to develop the essential skills and gain experience within the industry. Furthermore, the proportion of workers over the age of 50 has increased from approximately 36.6% in 2009 to approximately 44.8% in 2013. Consequently, Hong Kong is suffering from a shortage of skilled labour which is placing pressure on wages in the construction industry.

INDUSTRY OVERVIEW

The following chart sets out the average daily wage for general workers and labourers engaged in public sector construction projects in Hong Kong from 2009 to 2013.

Average daily wages for general workers and labourers engaged in public sector construction projects in Hong Kong



Source: Hong Kong Census and Statistics Department

The average daily wage for general workers and labourers engaged in public sector construction projects in Hong Kong increased from approximately HK\$570 in 2009 to approximately HK\$716 in 2013, representing a CAGR of approximately 5.9% over the five years. Our Directors have noted the increase in wages of construction workers in recent years which corresponded to the increase in gross value of construction works in Hong Kong in recent years.

Key Growth Drivers

Housing policies in response to the growing population

Hong Kong's population is expected to reach approximately 8.6 million by 2036. Such population growth is expected to drive the demand for residential housing in Hong Kong. The Government has set out a five-year plan to accommodate the increase in population by supplying Government land for the Urban Renewal Authority (URA) and Mass Transit Railway (MTR) projects, as well as identifying approximately 150 sites for future residential use. These are estimated to provide approximately 210,000 public and private units.

Strong demand for public infrastructure

The "Ten Major Infrastructure Projects", commissioned by the Government, will continue to be a driver of growth in the foundation industry in Hong Kong going forward. In the 2014/15 budget announcements, the Government reiterated its commitment to further infrastructure investment.

INDUSTRY OVERVIEW

Increase in demand for residential and commercial properties

The PRC Government launched measures to cool down the property market by placing limits on multiple-home ownership and by raising interest rates. Such measures have driven PRC investors to develop and buy properties overseas. Hong Kong is a popular destination for these investors due to its close proximity and status as a recognised international finance centre. In addition, the appreciation of the RMB has generated a favourable investment environment for property investments in Hong Kong.

COMPETITIVE LANDSCAPE OF THE FOUNDATION INDUSTRY IN HONG KONG

Supply of foundation services

In 2013, the five major players within the Hong Kong foundation industry had a market share by total industry revenue of approximately 41.0%. As at the Latest Practicable Date, there were 134 contractors registered with the Buildings Department to perform private foundation works, 41 companies registered as piling specialists with the Development Bureau and 13 companies registered with the Housing Authority as piling contractors.

Factors Influencing Competition

Mandatory registration, and listing

It is mandatory for contractors who wish to perform private sector foundation works in Hong Kong to be registered as a specialist contractor of foundation works under the Buildings Department. Whilst contractors who wish to perform public foundation works must be listed under the land piling category with the Development Bureau or as foundation contractors with the Housing Authority, depending on the specific project to be undertaken.

Registered specialist contractors

The table below summarises the number of specialist contractors registered with the Buildings Department for the various types of works as at the Latest Practicable Date:

Category of specialist contractors registered with the Buildings Department	Number of registered contractors:
Foundation	134
Demolition	101
Site Formation	175
Ventilation	173
Ground investigation field works	40

Note: Contractors are registered with the Buildings Department to provide the types of works listed above. Certain contractors are registered to provide multiple types of works.

INDUSTRY OVERVIEW

Reputation and track record

A contractor's reputation and credibility is a direct result of its track record with respect to timeliness of project delivery, quality of work and fulfillment of safety and environmental requirements. Therefore, quality of work is an important aspect in the foundation industry. It is important for contractors to have a good reputation within the industry in order to successfully compete for foundation contracts in Hong Kong.

Price

Price is an important concern for customers in the construction industry. Typically, those contractors that can effectively offer competitive prices and maintain a high standard of work will enhance their competitive advantage.

Market barriers to entry

Capital

Contractors in Hong Kong's foundation industry need sufficient capital to be able to meet various expenses, such as construction materials, leasing of machinery, wages of specialists as well as payments to subcontractors. Furthermore, any delay in payment might have a negative impact on a company's reputation. New entrants will find it difficult to compete in the market if they lack sufficient capital.

Specialised machinery

Although most machinery and equipment can be leased, having ownership or control of specialised machinery allows foundation works to be carried out in a more flexible manner whilst achieving the required deadlines and standards. However, purchasing specialised machinery such as crawler cranes, oscillators, rotators, reverse circulation drills, boring rigs, down-the-hole hammers and other related equipment needed for foundation works is capital intensive. Such significant investment needed to acquire the required specialised machinery will make it difficult for new participants to compete for contracts which require such specialised machinery to carry out the necessary foundation works.

Relationships with customers

Within Hong Kong's construction industry, relationships play an important role in winning contracts for both main contractors and subcontractors. Customers are more likely to award projects to contractors with whom they have successfully worked on projects together. Moreover, it is important to develop good relationships with customers through performance as many tenders are introduced through referrals. Another important aspect is that many upcoming projects are known to the majority of the foundation contractors in the industry. Therefore it is important to have good relationships from which referrals, recommendations, as well as invitations to tender may result.

INDUSTRY OVERVIEW

Specialist knowledge

In order to enter the foundation industry in Hong Kong, contractors need to possess, among other things, specialist knowledge of geology, piling methods and structural engineering. Individuals that possess the aforementioned knowledge are highly marketable and tend to be employed by established contractors in the industry as they are in short supply and command higher salaries. Furthermore, foundation contractors should possess specialist knowledge to provide ongoing supervision and professional work in accordance with the Buildings Ordinance. Foundation contractors which are unable to hire staff with the requisite technical skills or lack specialist knowledge may struggle to compete effectively.

Top five largest foundation contractors in Hong Kong

The top five foundation work contractors in Hong Kong accounted for approximately 41.0% of the total market share, while the remaining foundation contracting work companies accounted for approximately 59.0% of the total market share of total foundation business by revenue in Hong Kong in 2013.

The table below presents the top five foundation contracting companies in Hong Kong in 2013:

Rank	Name of company	Headquarters	Revenue in 2013 (HK\$ million)	Share of total industry revenue (%)	Number of projects in 2013
1	Competitor A	Hong Kong	2,284	12.3	16
2	Competitor B	Beijing	1,855	10.0	15
3	Competitor C	Hong Kong	1,534	8.2	11
4	Competitor D	Hong Kong	1,056	5.7	9
5	Competitor E	Hong Kong	900	4.8	7
	Others		10,974	59.0	
	Total		18,603	100.0	

Source: Ipsos Report

Notes:

- (1) This table aims to show the competition between foundation contractors in the market which have a similar business model, nature of work and customers as our Group.
- (2) The total revenue figure, HK\$18,603 million, refers to the total revenue generated by the entire foundation industry in Hong Kong in 2013, such includes the total revenue generated by both main contractors and subcontractors.

INDUSTRY OVERVIEW

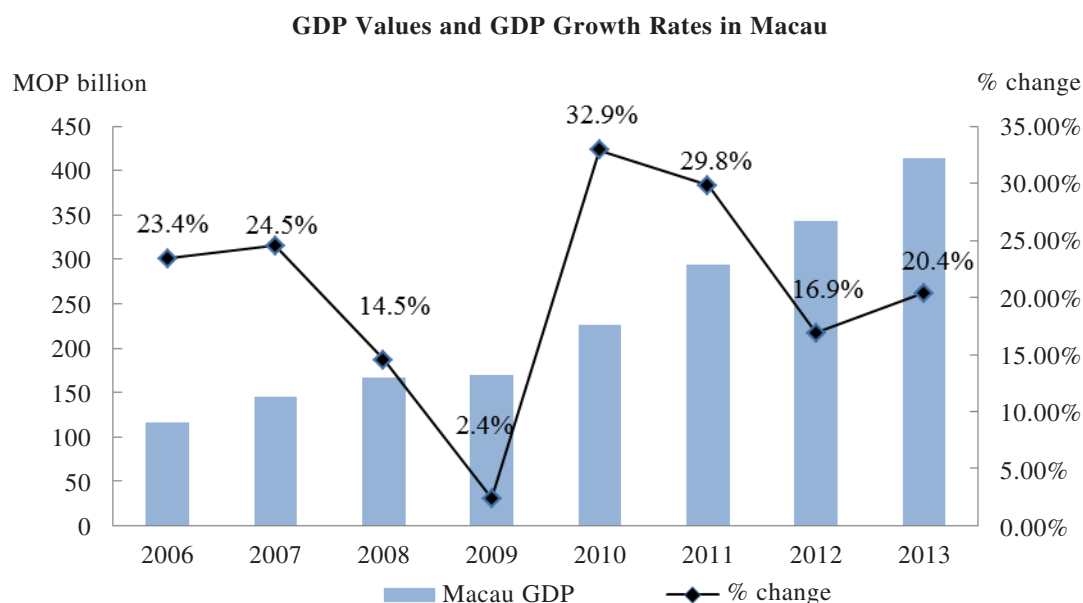
MARKET OVERVIEW OF THE CONSTRUCTION INDUSTRY IN MACAU

The construction industry in Macau is related to the development of the gaming and hospitality industry in Macau as well as Macau Government's investment in infrastructure to accommodate the growth in the gaming and hospitality industry as well as growing tourism.

The liberalisation of the gaming industry in Macau in 1999 prompted the development of multiple luxury resorts and casinos from 2002 to 2009, including Wynn Macau, City of Dreams, Grand Lisboa and Galaxy Macau Phase I. These developments generated strong growth in the construction industry in Macau from 2002 to 2009. During the same period a number of luxury apartments were built to cater to high-end property buyers and investors, such as The Waterside, The Manhattan, and One Central. The private sector was the primary growth driver in the Macau construction industry between 2002 and 2009.

The Macau Government has been increasing investment in the development of infrastructure from 2009 to 2014 to complement the increase in private sector spending described above. GDP increased from approximately MOP170 billion in 2009 to MOP413 billion in 2013, representing a CAGR of approximately 24.8% between 2009 and 2013. The Macau Government carried out more than 80 infrastructure improvement projects each year between 2009 and 2013, such as the construction of a comprehensive sewage and drainage system throughout Macau, the Cotai Strip, the Macau Light Rapid Transit System, a capacity upgrade of Macau International Airport, the ferry terminal in Taipa island, the new Hengqin area connecting China to Macau and the Hong Kong-Zhuhai-Macau Bridge. Macau's GDP experienced a CAGR of approximately 19.8% from 2006 to 2013.

The chart below sets out the GDP and GDP growth rates in Macau from 2006 to 2013:



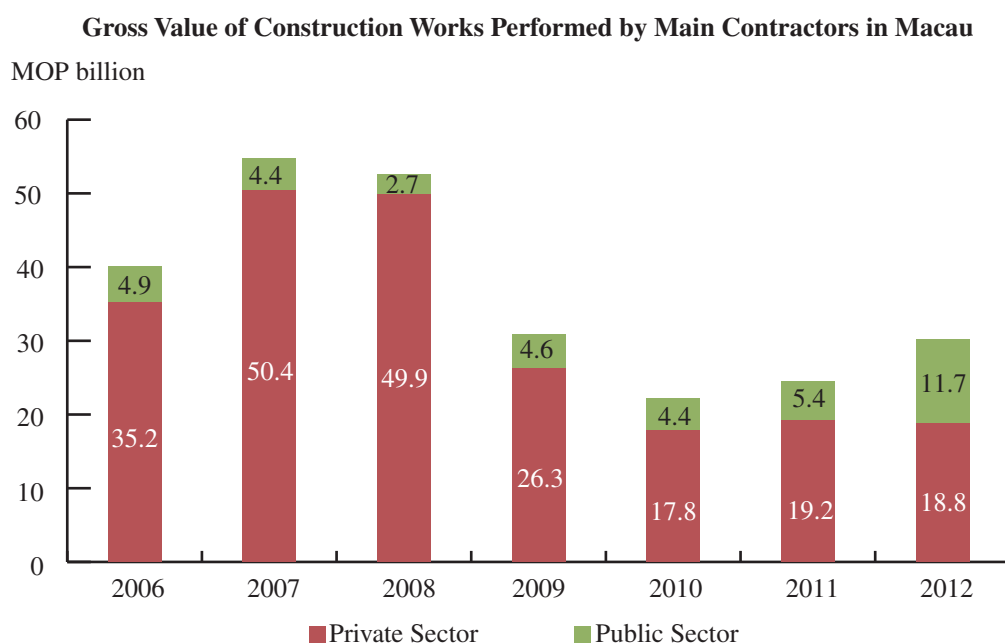
Source: Statistics and Census Service, Government of Macao Special Administrative Region

INDUSTRY OVERVIEW

The Macau construction industry's role in the economy

The construction industry contributed approximately 4.7% of Macau's GDP in 2013. The total gross output value of construction works performed by major construction contracting work companies decreased from approximately MOP30.9 billion in 2009 to approximately MOP30.5 billion in 2012, representing a negative CAGR of approximately 0.4%. The gross value of private construction works performed by main contractors in Macau decreased from approximately MOP26.3 billion in 2009 to approximately MOP18.8 billion in 2012, representing a negative CAGR of approximately 10.6%. The gross value of public construction works performed by main contractors in Macau increased from approximately MOP4.6 billion in 2009 to approximately MOP11.7 billion in 2012, representing a CAGR of approximately 36.5%. The contribution from the private sector to Macau's total construction works has decreased from approximately 85.1% in 2009 to approximately 61.6% in 2012. On the other hand, the contribution from the public sector increased from approximately 14.9% in 2009 to approximately 38.4% in 2012.

The chart below sets out the gross value of construction works performed by main contractors in Macau from 2006 to 2012:



Source: Statistics and Census Service, Government of Macao Special Administrative Region

Future Trends

The total gross output value of construction works performed by contractors at construction sites in Macau is forecast to grow from 2015 to 2019. The privately funded construction of major luxury hotels including the Parisian by Sands China and the hotel project for MGM China Holdings Limited, the Macau Government's investment in new infrastructure, such as the Guangdong-Macao border-crossing as well as its policies to increase public housing development north of Taipa will continue to drive the growth of the construction industry in Macau.

INDUSTRY OVERVIEW

The table below sets out the primary planned and ongoing private development projects in Macau:

Project Name	Owner	Start Date	(Estimated) Completion Date
The Parisian	Sands China Limited	2012	2015
Galaxy Phase 2	Galaxy Entertainment Group Limited	2012	2015
Galaxy Phase 3 & 4	Galaxy Entertainment Group Limited	2014	2018
MGM Cotai	MGM China Holdings Limited	2012	2016
Wynn Palace	Wynn Resorts, Limited	2012	2016
Wynn Diamond (Cotai Phase II)	Wynn Resorts, Limited	2013	2016
Studio City	Melco Crown Entertainment Limited	2012	2015
City of Dreams (fifth hotel Cotai)	Melco Crown Entertainment Limited	2013	2017
Louis XIII Hotel Casino	Louis XIII Holdings Limited	2013	2016
Jai Alai Palace building	SJM Holdings Limited	2013	2014
Lisboa Palace	SJM Holdings Limited	2014	2017

Sources: Ipsos research and analysis

The demand for private luxury apartments has risen in Macau due to the increase in the disposable income of Macau residents. The per capita GDP in Macau increased from approximately HK\$308,000 in 2009 to HK\$677,000 in 2013, representing a CAGR of approximately 21.8%. The average price per sq. m. of residential units by usable area in Macau grew from approximately HK\$21,000 in 2009 to HK\$78,000 in 2013, representing a CAGR of approximately 38.8%. This growth in the average price per sq. m. of residential units in Macau indicates that the demand for luxury apartments has increased.

Macau Government policies and regulations

Public Housing Program

In 2008 the Macau Government announced a scheme to build up to 19,000 housing units. The “19,000 Units” construction program was completed at the end of 2013. In its 2014 policy address the Macau Government announced that it would execute the planning phase of its “Post-19,000 Units” program. This program also requires significant improvements to areas such as transportation, education and healthcare facilities, amongst others.

Healthcare system

According to Macau’s 2014 policy address, in order to strengthen existing services and enhance support for the elderly, the Macau Government plans to speed up the construction of new senior homes as well as expand existing senior homes. Additionally, Phase I and Phase II of the second public hospital and the Islands District Medical Complex, is expected to be completed by 2017.

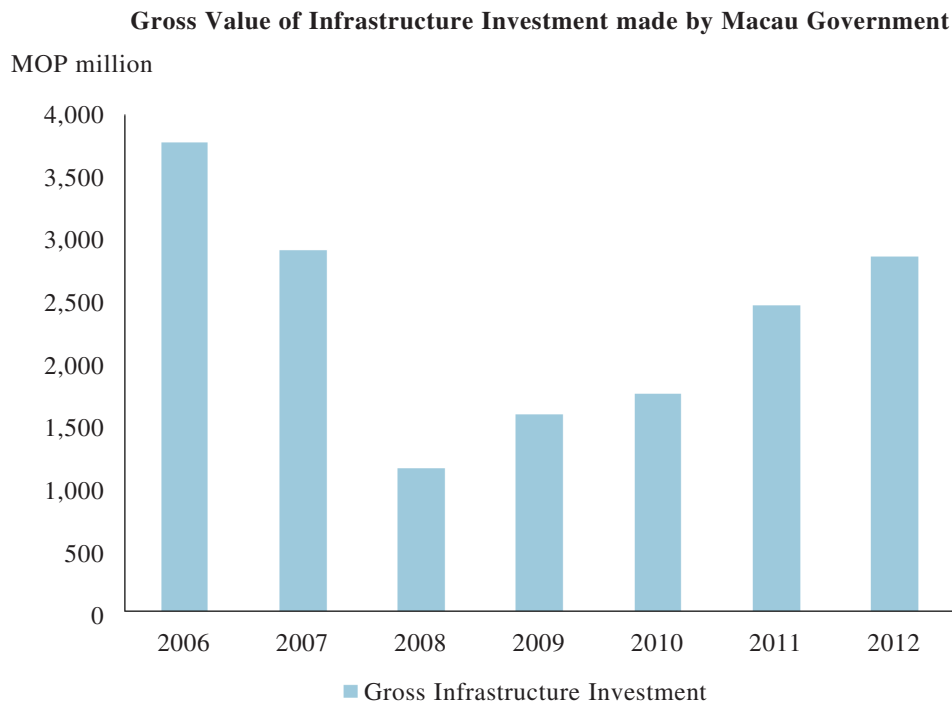
INDUSTRY OVERVIEW

Infrastructure development

The Macau Government is determined to develop the city's infrastructure to accommodate the future growth of the economy. Between 2009 and 2013 multiple construction projects including the building of community centers, roads, prisons, fire stations, temples, sewage systems, slopes and hospitals were completed. Further developments are currently being initiated. For example, The Macau Light Rapid Transit System, a large scale infrastructure project first proposed in 2003, aims to provide more transport links between the Macau Peninsula, Taipa and Cotai, with a total of 21 stations completed over two phases. Furthermore, the commencement of the first stage of construction of the new Guangdong-Macao border-crossing project is expected in 2015. The Macau Government continues to improve cooperation with the PRC through several cross-border infrastructure projects.

The Macau Government increased gross infrastructure investment from approximately MOP1.6 billion in 2009 to MOP2.9 billion in 2012, representing a CAGR of approximately 21.9%. Future infrastructure development initiated by the Macau Government will continue to drive construction industry growth.

The chart below sets out the gross value of infrastructure investment made by the Macau Government from 2006 to 2012:



Source: Statistics and Census Service, Government of Macao Special Administrative Region

INDUSTRY OVERVIEW

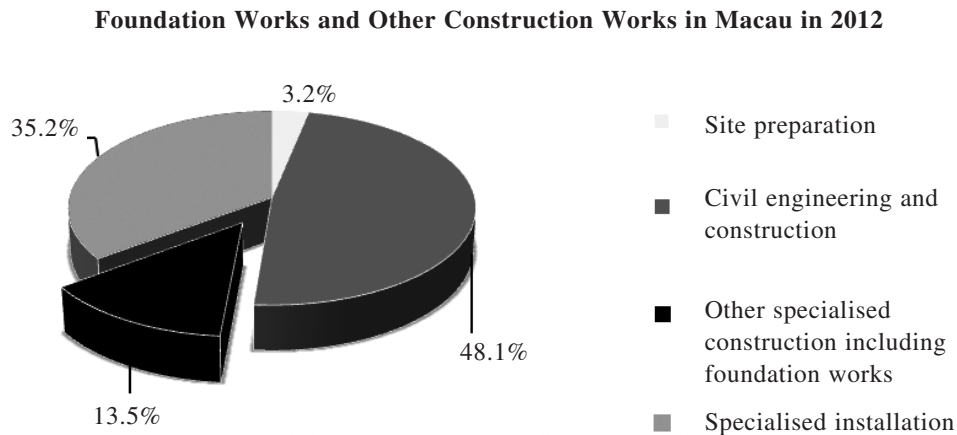
MARKET OVERVIEW OF THE FOUNDATION INDUSTRY IN MACAU

The foundation industry in Macau has been supported by the growth of the gaming and hospitality industry. Casinos and hotels, such as those that exist on the Cotai Strip, have been the key focus of the foundation industry. Urban renewal and redevelopment of the western parts of the Macau Peninsula as well as the urban development in Taipa and Coloane has driven demand for residential buildings and infrastructure in those areas. The total gross output value of the foundation industry in Macau increased from approximately HK\$4.1 billion in 2009 to approximately HK\$4.8 billion in 2013, at a CAGR of approximately 4.0%.

Driven concrete piles, prestressed concrete piles, and H-piles, were the traditional primary foundations used in the foundation industry in Macau. However, between 2005 and 2014, more environmentally friendly foundations aimed at minimising noise pollution have been adopted by the industry, such as drilled piles and bored piles.

There were approximately 800 construction contractors registered with the DSSOPT with a portion of them headquartered in Hong Kong. Large scale Macau construction projects have been undertaken by Hong Kong contractors. These contractors are typically staffed by a combination of Macau and Hong Kong workers.

The following chart illustrates the respective share of the gross value of construction works at construction sites in Macau in 2012 of each of the four primary works areas, namely:



Source: Statistics and Census Service, Government of Macao Special Administrative Region

Other specialised construction works including foundation works accounted for approximately 13.5% of the gross value of construction works at construction sites in Macau for 2012.

INDUSTRY OVERVIEW

Licenses and qualifications

In order to perform construction and foundation works in Macau, contractors are required to have a business registration with the Macau Commercial and Moveable Properties Registry and the Macau Financial Services Bureau as well as to be registered with the DSSOPT. Foundation contractors require the same license or qualification as that of construction contractors since there is no specific license or qualification for carrying out foundation works.

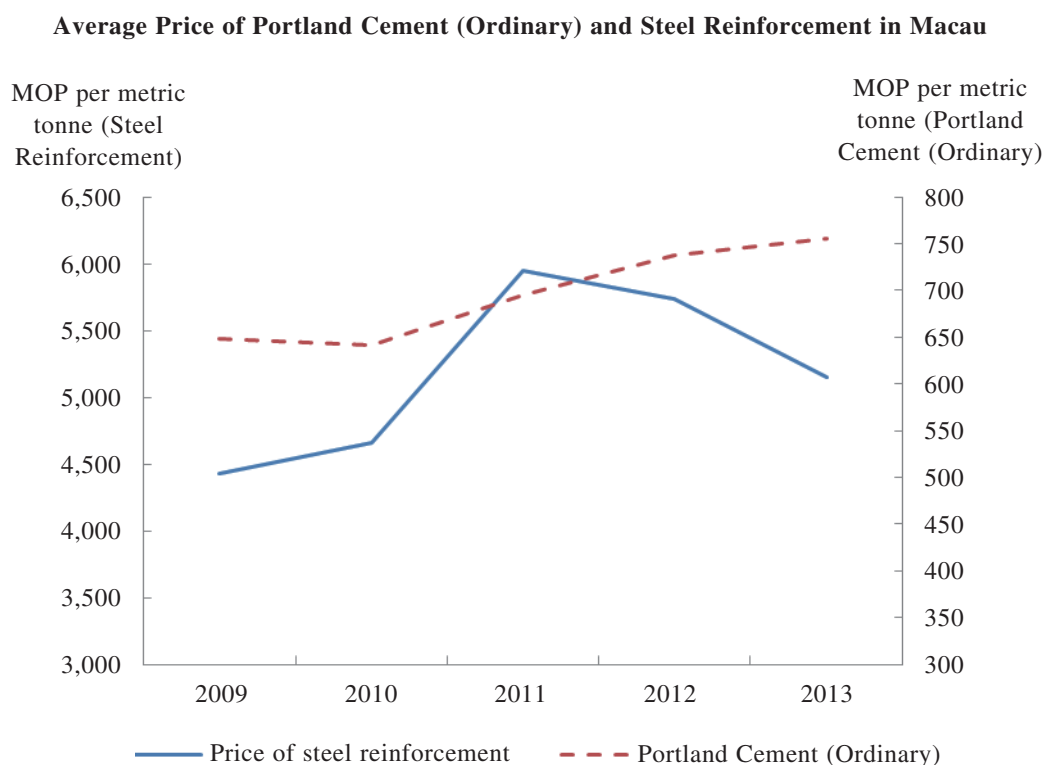
Recent Developments

Raw material prices

The PRC, a key market for iron ore, has maintained a significant demand for steel since the financial crisis of 2008. However, an over supply of steel in global markets has placed downward pressure on prices. Portland cement (ordinary) has experienced similar price pressures to those experienced in Hong Kong. The average price of portland cement (ordinary) has increased from approximately MOP649 per metric tonne in 2009 to approximately MOP755 per metric tonne in 2013, representing a CAGR of approximately 3.9%.

In Macau, from 2009 to 2011, the average price of round reinforcing steel bar increased from approximately MOP4,429 per metric tonne to approximately MOP5,949 per metric tonne, representing an increase of approximately 34.3%. From 2011 to 2013, the average price of round reinforcing steel bar decreased from approximately MOP5,949 per metric tonne to approximately MOP5,151 per metric tonne, representing a decrease of approximately 13.4%.

The chart below sets out the average price of steel reinforcement and portland cement (ordinary) in Macau from 2009 to 2013:



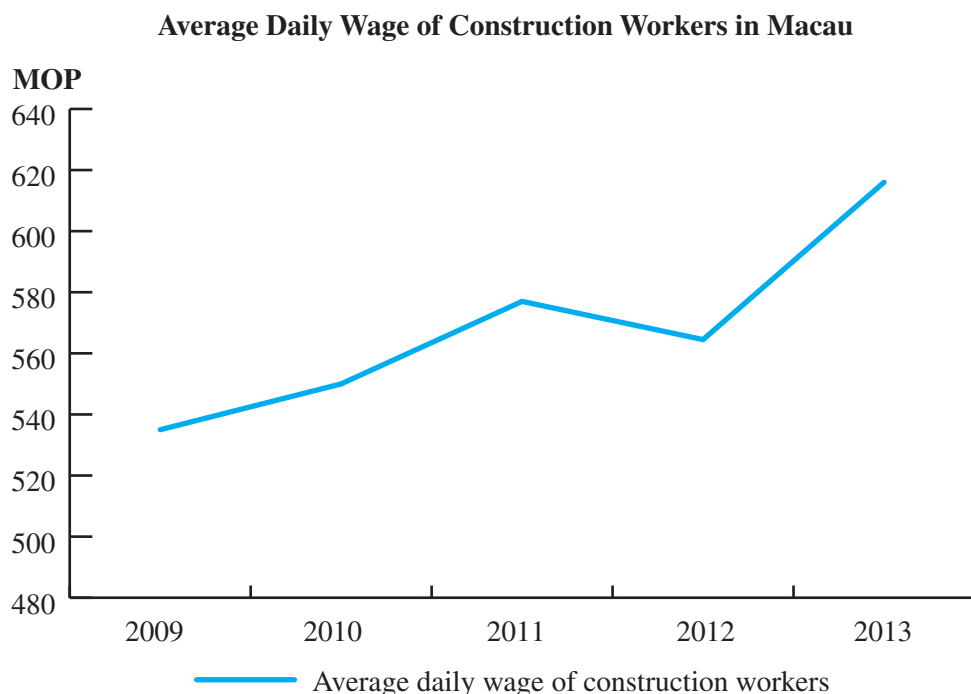
Source: Statistics and Census Survey, Government of Macao Special Administrative Region

INDUSTRY OVERVIEW

Labour

The construction industry in Macau has recently experienced increased competition for both skilled and unskilled labour due to the growth of the construction sector. The average daily wage of construction workers in Macau increased from approximately MOP535 in 2009 to approximately MOP616 in 2013, representing a CAGR of approximately 3.6%.

The chart below sets out the index of average labour wages of construction workers in Macau from 2009 to 2013:



Source: Statistics and Census Survey, Government of Macao Special Administrative Region

Key Growth Drivers

Tourism

The total number of visitors travelling to Macau increased from approximately 21.8 million in 2009 to approximately 29.3 million in 2013, representing a CAGR of approximately 7.7%. This increase was primarily attributable to the expansion of the Individual Visit Scheme implemented in July 2003, under which PRC residents of certain cities can visit Hong Kong and Macau. Since April 2009, Shenzhen residents have been allowed to apply for multi-entry permits to visit Hong Kong and Macau. Since March 2010, residents of all 21 cities in Guangdong Province and 28 other cities, including amongst others, Beijing, Shanghai, Tianjin, Chongqing, Nanjing, Suzhou, Wuxi, Hangzhou, Ningbo and Taizhou, have been able to visit Hong Kong and Macau on an individual basis. As a result of the expansion of the geographical coverage of the Individual Visit Scheme, the number of PRC tourists visiting Macau increased from approximately 11.0 million in 2009 to approximately 18.6 million in 2013, representing a CAGR of approximately 14.0%.

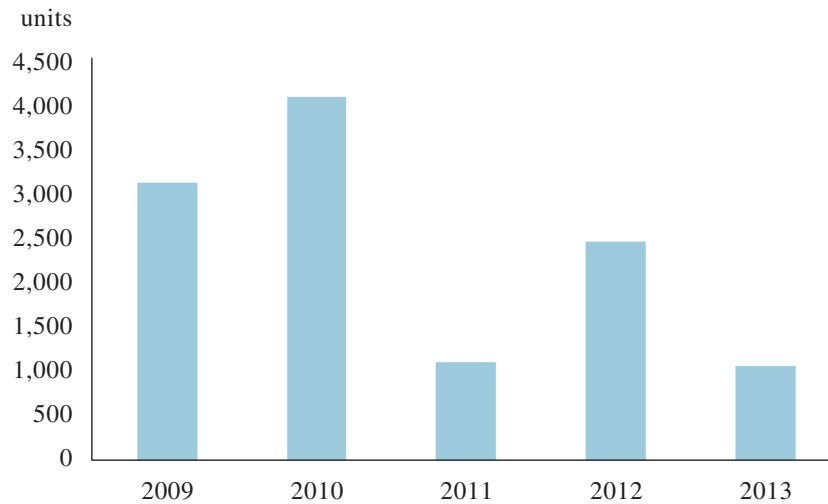
INDUSTRY OVERVIEW

Population expansion

The construction of residential buildings has traditionally been one of the primary segments in the construction industry in Macau. As a result of population expansion, the demand for residential buildings has further increased. The number of residents in Macau grew from approximately 542,200 in 2009 to 607,500 in 2013, representing a CAGR of approximately 2.9%. This increase was primarily due to the rising number of immigrants from the PRC to Macau during this period. The population increase should continue to drive the demand for residential buildings and in turn the foundation industry in Macau.

The chart below sets out the completion of private residential units during the period from 2009 to 2013:

Number of Private Residential Property Units Completed in Macau



Sources: Statistics and Census Service, Government of Macao Special Administrative Region, Ipsos Research and analysis

The number of newly completed private residential housing units in Macau decreased from approximately 3,096 units in 2009 to 1,055 units in 2013, representing a negative CAGR of approximately 23.6%. Such decrease was primarily a result of the measures implemented by the Macau Government in order to cool down the property market.

INDUSTRY OVERVIEW

The chart below sets out the completion of public residential units during the fiscal years from 2008/09 to 2012/13:



Sources: Statistics and Census Service, Government of Macao Special Administrative Region, Ipsos Research and analysis

The total number of the public housing units in Macau increased from approximately 1,136 units in 2009 to 9,515 units in 2013, representing a CAGR of approximately 70.1%. Such increase was due to the Macau Government's determination to increasing the housing supply in Macau. The large increase in public housing was a result of the "19,000 Units" program set out above in the paragraph headed "Industry Overview - Macau Government policies and regulations: Public Housing Program".

COMPETITIVE LANDSCAPE OF THE FOUNDATION INDUSTRY IN MACAU

Factors Influencing Competition

Necessary licenses for conducting public foundation works

In order to perform foundation works in Macau, contractors are required to have a business registration with the Macau Commercial and Moveable Properties Registry and the Macau Financial Services Bureau, and to be registered with the DSSOPT. Competition is therefore limited to licensed construction companies.

INDUSTRY OVERVIEW

Reputation and track record

A key factor to compete for foundation projects in Macau is the ability to deliver projects in a timely manner, since delays could result in losses to contractors and customer's. As there are no specific licenses or qualifications to indicate the quality and capability of a contractor's work, customers evaluate a contractor's capabilities based on their track record. Other aspects of consideration include the quality of work, price, safety and environmental impact. A successful track record can increase the likelihood of securing projects.

Market barriers to entry

Specialised machinery

Various piling machines are needed for different piling works. As piling works differ according to soil and the geological conditions relevant to each project, significant investment in various types of specialised machines increases the amount of initial capital required to adequately compete for tenders. Furthermore, contractors would require sufficient capital in order to maintain sufficient machinery to fulfill the requirements and timelines of various projects. This can pose barriers for new foundation contractors to enter the industry.

Maintenance costs

The foundation industry requires specialised machinery and equipment. Machine manufacturers are primarily from Europe, the United States of America and Japan. The ongoing maintenance, replacement or repairing of machines to ensure the timely meeting of deadlines is a capital intensive exercise. The capital requirements for newly established foundation companies can be a barrier to entry.

Relationships with customers in Macau

No specific license or qualification is needed for contractors to carry out foundation works in Macau, contractors only require a business registration with the Macau Commercial and Moveable Properties Registry and the Macau Financial Services Bureau and to be registered with the DSSOPT, as set out above under the paragraph headed "Industry Overview – Competitive Landscape of the Foundation Industry in Macau – Factors Influencing of Competition: Necessary licenses for conducting public foundation works". As a result, having well-established relationships with customers is beneficial for foundation contractors to compete for projects. The top five foundation contractors in Macau accounted for over 35% of the market in 2013. Moreover, private developers invite contractors to bid for tenders. A number of main contractors are affiliated with major property developers. This increases the likelihood of these contractors and property developers working together in the future. New entrants have difficulty competing for contracts as a result of weak or no relationships when they first enter the market.

INDUSTRY OVERVIEW

Market Opportunities and Threats

Investment in infrastructure

The Macau Government has increased infrastructure spending from approximately MOP1.6 billion in 2009 to approximately MOP2.9 billion in 2012, representing a CAGR of approximately 21.9%. Given the data set out above in the section headed “Industry Overview – Market Overview of the Construction Industry in Macau” and the growth experienced by the economy of Macau, infrastructure investment by the Macau Government should continue to increase in future.

Number of residents in Macau

The demand for residential accommodation is being driven by the increase in the number of residents in Macau due to the natural growth of the local population, new immigrants and foreign workers. With the increasing number of hotels and casinos, job opportunities are being created, attracting foreign workers to Macau. The increase in foreign workers, together with the increase in immigrants and the local population should continue to drive the demand for housing, prompting both the Macau Government and private developers to build more accommodation in Macau, benefitting the construction industry in Macau.

Labour supply

Inadequate supply of construction labour has been a concern for the construction industry in Macau since 2011, rising demand for construction services, including piling and related foundation services, continues to put pressure on construction costs as set out above in the paragraph headed “Industry Overview- Market Overview of the Foundation Industry in Macau - Recent Developments: Labour”.

Dependence on private projects in the Macau construction industry

The current construction projects in the Cotai Strip, such as the Parisian, MGM hotel project and the Lisboa Palace are expected to be completed by 2019. Upon completion of these large-scale private construction projects, the construction industry in Macau would likely depend on public construction projects to sustain growth.

Top five foundation contracting work companies in Macau

The top five foundation contracting companies in Macau, which are registered with the Macau Commercial and Moveable Properties Registry and the Macau Financial Services Bureau, and registered under the DSSOPT account for approximately 38.1% of the total market share by revenue in 2013, whilst the remaining foundation contracting work companies account for the remaining 61.9% of the total market share in 2013.

INDUSTRY OVERVIEW

The table below presents the top five foundation contracting work companies in Macau in 2013:

Top five Foundation Contracting Work Companies in Macau

Rank	Name of Company	Headquarters	Revenue in 2013 <i>(HK\$ million)</i>	Share of total industry revenue <i>(%)</i>	Number of projects in 2013
1	Competitor A	Hong Kong	595	12.4	3
2	Our Group	Hong Kong	426 <i>(Note 2)</i>	8.9	1
3	Competitor F	Hong Kong	389	8.1	2
4	Competitor G	Hong Kong	211	4.4	2
5	Competitor H	Hong Kong	204	4.3	1
Others			2,958	61.9	
Total			4,783 <i>(Note 3)</i>	100.0	

Source: Ipsos Report

Notes:

- (1) This table aims to show the competition between foundation contractors in the market which have a similar business model, nature of work and customers as our Group.
- (2) The revenue figure is base on a calendar year (i.e. 1 January to 31 December), which is different from our Group's financial year (i.e. 1 April to 31 March).
- (3) The total revenue figure, HK\$4,783 million, refers to the total revenue generated by the entire foundation industry in Macau in 2013, this includes the total revenue generated by both main contractors and subcontractors.

LAWS AND REGULATIONS

OVERVIEW

Our Group is principally engaged in the provision of (i) foundation works, including the construction of bored piles, rock socketed H-piles and excavation and lateral support works; and (ii) ancillary services, including site investigation and removal of installed piles. Historically and up until the year ended 31 March 2012, our Group undertook foundation works and ancillary services for construction projects in Hong Kong only. Subsequently, in December 2012, our Group entered into the Macau construction market and was awarded a contract for foundation works and ancillary services based in Macau, namely the Hotel Tower Project. We are therefore principally subject to the relevant laws, rules and regulations of both Hong Kong and Macau. This section sets out summaries of certain aspects of Hong Kong and Macau laws, rules and regulations which are relevant to our operations and business.

HONG KONG LAWS AND REGULATIONS

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

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

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in the industrial sector. Under the Factories and Industrial Undertakings Ordinance, it is the duty of the 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 in particular:

- 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 or 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 requirements 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 six months.

LAWS AND REGULATIONS

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance, inspection and operation of hoists; (iii) the duty of contractors responsible for construction site to ensure safety of places of work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty of contractors responsible for construction site 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. A contractor guilty of the relevant offence could be liable to a fine up to HK\$200,000 and to imprisonment up to 12 months.

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

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

Employers must as far as reasonably practicable, ensure the safety and health at work of all their employees by (including but without limitation):

- 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;
- providing all necessary information, instructions, training and supervision for ensuring safety and health;
- 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; and
- providing and maintaining a working environment for their 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 Commissioner for Labour may also issue (i) an improvement notice against any non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance; or (ii) a suspension notice against an employer if in general an activity is undertaken at the workplace which may create an imminent hazard to the employees. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000, respectively and imprisonment of up to 12 months.

LAWS AND REGULATIONS

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

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

Under the Employees' Compensation Ordinance, an employee who suffers incapacity or death arising from an occupational disease and is due to the nature of his employment in which the employee was employed at any time within the prescribed period is entitled to compensation.

According to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to its subcontractors' employees who are injured in the course of their employment to the subcontractors. The principal contractor is, nonetheless, entitled to be indemnified by the subcontractors 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 principal 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 this Ordinance to secure an insurance cover commits an offence and is liable on conviction upon indictment to a fine at level 6 and to imprisonment for 2 years.

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

A principal contractor shall be subject to the provisions on subcontractor's employees' wages under the Employment Ordinance. According to section 43C of the Employment Ordinance, (i) a principal contractor is, or (ii) a principal contractor and every superior subcontractor are jointly and severally, 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. Such liability shall be limited to (a) 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) the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due). According to section 43D of the Employment Ordinance, an employee who has outstanding wage payments from the subcontractor must serve 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 the required notice on the principal contractor.

LAWS AND REGULATIONS

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of 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 every superior subcontractor 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 (i) claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case may be; or (ii) deduct by way of set-off 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 (Chapter 314 of the Laws of Hong Kong)

The Occupiers Liability Ordinance regulates the liability of persons occupying or having control of premises for injury or damages resulting to persons or goods lawfully on the land or other property from dangers.

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

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

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 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.

Laws and Regulations in relation to Environmental Protection

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

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for managing air quality. 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 (Chapter 311O of the Laws of Hong Kong) and the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong). For instance, the contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented.

LAWS AND REGULATIONS

Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong)

Under the Air Pollution Control (Construction Dust) Regulation, “construction work” includes but not limited to the construction, demolition and reconstruction of the whole or any part of any building or other structure and site formation. Under section 3 of the Air Pollution Control (Construction Dust) Regulation, the contractor responsible for a construction site where any notifiable work is proposed to be carried out shall give notice to the public officer appointed under the Air Pollution Control Ordinance of the proposal to carry out the work. Such “notifiable work” includes site formation, reclamation, demolition of a building; work carried out in any part of a tunnel that is within 100 m of any exit to the open air, construction of the foundation of a building, construction of the superstructure of a building or road construction work.

Under section 4 of the Air Pollution Control (Construction Dust) Regulation, the contractor responsible for a construction site where a notifiable work is being carried out shall ensure that the work is carried out in accordance with the Schedule of the Air Pollution Control (Construction Dust) Regulation.

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

The Noise Control Ordinance regulates, among others, the noise from construction 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 Noise Control Authority in advance. The carrying out of percussive piling is prohibited between 7:00 p.m. and 7:00 a.m. or at any time on general holidays.

Under the Noise Control Ordinance, construction works that use 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 Noise Control Authority 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 Noise Control Authority.

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 a second or 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.

LAWS AND REGULATIONS

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

The Water Pollution Control Ordinance provides the main statutory framework for the declaration of water control zones to cover the whole of Hong Kong and the establishment of water quality objectives. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal sewers or unpolluted water into stormwater drains, river courses and water bodies), they are subject to licensing control by the Director of the Environmental Protection Department.

The licence specifies the requirements relevant to the discharge, e.g. the effluent standards and the discharge location.

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.

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

The Waste Disposal Ordinance regulates the production, storage, collection, treatment, reprocessing, recycling and disposal of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste into and from Hong Kong 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 (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong).

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 prescribed charges for the construction waste generated from the construction work under that contract.

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.

LAWS AND REGULATIONS

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

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 that the court is satisfied that the operation has continued.

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

The Environmental Impact Assessment Ordinance is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 of the Environmental Impact Assessment Ordinance (for example, public utility facilities, certain large-scale industrial activities, community facilities, etc.) through the application of the environmental impact assessment process and the environmental permit system 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 Ordinance without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit. The offender is liable (a) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 6 months; (b) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for 2 years; (c) on a first summary conviction to a fine at level 6 and to imprisonment for 6 months; (d) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for one year, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied the offence continued.

LAWS AND REGULATIONS

Laws and Regulation in relation to Contractions Work in Hong Kong

Building Ordinance (Chapter 123 of the Laws of Hong Kong)

Under the Buildings Ordinance, “building works” includes any kind of building construction, site formation works, ground investigation in the scheduled areas, foundation works, repairs, demolition, alteration, addition and every kind of building operation, and includes drainage works. Section 8A(2) of the Buildings Ordinance empowers the Directors of Buildings to specify, by notice in the Gazette, different categories of building works as specialised works that are required to be carried out by registered specialist contractors and to maintain sub-registers in the register of specialist contractors for the different categories. Currently, there are five categories of works designated as specialised works, namely, demolition works; foundation works; ground investigation field works; site formation works; and ventilation works. Under section 8B(2) of the Buildings Ordinance, an applicant for registration as a registered specialist contractor must satisfy the Directors of Buildings on the following aspects: (i) if it is a corporation, the adequacy of its management structure; (ii) the appropriate experience and qualifications of its personnel; (iii) its ability to have access to plant and resources; and (iv) 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. At the same time, an applicant for registration as a specialist contractor must satisfy the Directors of Buildings that he has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category.

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

Construction Workers Registration Ordinance requires construction workers to be registered for carrying out construction work on a construction site.

Under the Construction Workers Registration Ordinance, “construction work” means, inter alia, any building operation involved in preparing for any operation such as laying of foundations, excavation of earth and rock prior to laying of foundations, site clearance, site investigation, site restoration, earthmoving, tunnelling, boring, scaffolding and provision of access. “Construction site” means (subject to certain exceptions) a place where construction work is, or is to be, carried out. Under section 40 of the Construction Workers Registration Ordinance, no person shall be registered as a registered construction worker unless the Registrar of Construction Workers is satisfied, inter alia, that the person has attended the relevant construction work-related safety training course. Further, under section 44 of the Construction Workers Registration Ordinance, the Registrar of Construction Workers shall not renew the registration of a person unless the Registrar of Construction Workers is satisfied that, amongst others, (i) the person has attended the relevant construction work-related safety training course and (ii) if the registration will, on the date of its expiry, have been in effect for not less than 2 years, the person has attended and completed, during the period of 1 year immediately before the date of application for renewal of the registration, such development courses applicable to his registration as the Construction Industry Council may specify.

LAWS AND REGULATIONS

Requirements for contractor registration/listing in Hong Kong

In order to be eligible to carry out foundation works in Hong Kong, contractors must obtain registrations/listings from relevant Government bodies/public organisations. Each relevant Government body/public organisation has its own requirements that contractors must comply with. The relevant requirements that are applicable to our Group's foundation business and our Group's registration/listing status as at the Latest Practicable Date are set forth below:

Government department/ organisation	Month and year of first registration/listing by the organisation	Level/category of listing	Size of project which our Group is eligible to undertake	Registered entity
Buildings Department <i>(Note 1)</i>	June 2000 <i>(Note 3)</i>	Registered Specialist Contractors – Foundation Category	Unlimited <i>(Note 4)</i>	SW Bore Pile
Development Bureau <i>(Note 2)</i>	November 2001 <i>(Note 3)</i>	Approved Suppliers of Materials and Specialist Contractors for Public Works – Land Piling (Group II)-Large Diameter Bored Pile <i>(with bell-out)</i>	Unlimited	SW Bore Pile
Housing Authority	April 2002 <i>(Note 3)</i>	Piling Contractors – Large Diameter Bored Piling Category	Unlimited	SW Bore Pile

Notes:

1. Under the Buildings Ordinance, foundation works is a category of building works which is designated as specialised works required to be carried out by registered specialist contractors.
2. Listing with the Development Bureau is required for carrying out public works
3. Listing with the Development Bureau does not have any expiry date. Listing with the Housing Authority is subject to annual review for retention, which will normally be conducted in March or April each year. Registration under the Buildings Department has an expiry date and a registration renewed normally expires on the expiry of 3 years beginning on the date of the expiry of the previous registration. The current registration of SW Bore Pile with the Buildings Department will be due for renewal on 7 June 2015.
4. The relevant registration with the Buildings Department does not specify any tender limit.

Private sector construction projects in Hong Kong

Private sector construction projects cover projects launched by private developers as well as any other entities not being Government and its related organizations and institutional bodies.

In order to undertake private sector foundation works as a main contractor, a foundation contractor must be registered under the Buildings Ordinance with the Buildings Department as a registered specialist contractor – foundation works category, unless the main contractor subcontracts those works to a registered specialist contractor – foundation works category (i.e. the subcontractor). In addition, these subcontractors may, at their discretion, further subcontract these foundation works to its subcontractors (i.e. the sub-subcontractors) and supervise foundation works carried out by the sub-subcontractors without such registration. During the Track Record Period, certain of our subsidiaries have acted as a sub-subcontractor under the aforesaid circumstances under the supervision of a registered specialist contractor. However, the responsibility of the foundation works carried out by the sub-subcontractors, insofar as the Buildings Ordinance is concerned, will rest with the registered specialist contractor (i.e. the main contractor or the subcontractor).

The registration requirements mentioned above are the basic statutory requirements for undertaking private sector foundation construction projects. In addition to these, other requirements on the main contractors or subcontractors may be imposed by the developers, main contractors, or other entities, as the case may be.

LAWS AND REGULATIONS

The Buildings Department imposes specific requirements on the qualifications and experience of the key personnel of a registered specialist contractor. The contractor must assign a technical director who must fulfill one of the five alternative sets of requirements as to qualification and experience. For new applicants, where the technical director does not possess relevant university degree or equivalent qualification, he must have at least eight years of experience in managing a building contractor company. Currently SW Bore Pile's technical director is Mr. Lau. If Mr. Lau retires or resigns, SW Bore Pile intends to appoint Mr. Lau Chun Kwok, an executive Director, as its technical director as Mr. Lau Chun Kwok has more than eight years of experience in managing a building contractor company and hence would satisfy the requirement specified by the Buildings Department. For new applicants, the authorised signatory appointed by the contractor to act for it for the purposes of the Buildings Ordinance should have a minimum of five years' experience in foundation works. He must have worked on at least seven foundation projects in Hong Kong for an aggregate period of not less than 18 months, with the endorsement by an authorised person (being those persons who are qualified to perform the duties and functions of an authorised person in accordance with the Buildings Ordinance), registered structural engineer, registered contractor, government architects, engineers or surveyor of the foundation projects. He must also possess at least a higher certificate, diploma or equivalent qualification relevant to construction technology such as architecture, building studies, building surveying, civil engineering and structural engineering. SW Bore Pile's authorised signatories include Mr. Hsu Kam Yee, Simon and Mr. Jesse, Colin John both are members of our Group's senior management. If either of them retires or resigns, the remaining one can continue to act as SW Bore Pile's authorised signatory.

The table below summarises the aforesaid specific requirements under the Buildings Department on the qualifications and experience of the key personnel of a registered specialist contractor. SW Bore Pile assigned the following persons as its technical director and authorised signatories:

Key personnel	Specific requirements on the key personnel	SW Bore Pile current key personnel
Technical director	<p>Must have either:</p> <ol style="list-style-type: none"> 1) at least eight years of experience in managing a building contractor company; or 2) a relevant university degree or equivalent qualification and 5 years' experience in building industry in Hong Kong, of which 2 years' experience was in foundation. 	Mr. Lau
Authorised signatory	<p>Must have:</p> <ol style="list-style-type: none"> 1) a minimum of five years' experience in foundation work; 2) worked on at least seven foundation projects in Hong Kong for an aggregate period of not less than 18 months; and 3) at least a higher certificate, diploma or equivalent qualification relevant to construction technology such as architecture, building studies, building surveying, civil engineering and structural engineering. 	Mr. Hsu Kam Yee, Simon and Mr. Jesse, Colin John

LAWS AND REGULATIONS

In view of the above succession plan, our Directors take the view that on-going compliance with the requirements under the Building Ordinance can be ensured if SW Bore Pile's technical director or any one of the authorised signatories retires or resigns.

SW Bore Pile has therefore satisfied the above-mentioned requirements during the Track Record Period and up to the Latest Practicable Date.

Public sector construction projects in Hong Kong

Buildings Department

Similar to the private sector, registration with the Buildings Department is a requirement for contractors to undertake foundation works in the public sector. In order to undertake public sector foundation works as main contractor, a contractor must be registered with the Buildings Department as a registered specialist contractor under the categories of foundation 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 (i.e. the subcontractor) under the categories of foundation works to undertake foundation works, irrespective of whether such foundation 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. In addition, these subcontractors may, at their discretion, further subcontract these foundation works to its subcontractors (i.e. the sub-subcontractors) and supervise foundation works carried out by the sub-subcontractors without such registration.

The registration requirements mentioned above are the basic requirements for undertaking public sector foundation works projects.

As at the Latest Practicable Date, the number of "Registered Specialist Contractors (Foundation Works)" registered with the Buildings Department totalled to 134.

In order to undertake public sector foundation works under the Development Bureau and the Housing Authority, a foundation contractor must be further registered with the following organisations:

Development Bureau

The ASD, Buildings Department, Civil Engineering and Development Department, Drainage Services Department, Electrical & Mechanical Services Department, Lands Department, Land Registry, Planning Department and Water Supplies Department fall under the administration of the Development Bureau. As at the Latest Practicable Date, the number of contractors included in the Development Bureau's "List of Approved Suppliers of Materials and Specialist Contractors for Public Works" for land piling works was 41. The requirements to tender for projects of these departments normally include the listing of the contractor with the Development Bureau.

LAWS AND REGULATIONS

If a contractor wishes to carry out foundation works of unlimited value in the public sector, it must be included in the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works” which is administered by the Development Bureau under the category of “Land Piling, Group II” in respect of the relevant piling system. The scope of work covers design, supply and installation of registered piling systems on land. As at the Latest Practicable Date, the number of contractors included under Group II of the “Land Piling” category for large diameter bored piles (with bell-out) was 14. For retention on the “List of Approved Suppliers of Materials and Specialist contractors for Public Works”, a contractor should generally possess at least a positive capital value and is required to maintain certain minimum levels of employed and working capital applicable to the appropriate category and group. SW Bore Pile, which belongs to Group II of the “Land Piling” category, is required to have a minimum employed capital of HK\$9.3 million and a minimum working capital of HK\$8.6 million.

Further, if a contractor has outstanding contracts in hand, there are further requirements imposed on its working capital for retention purpose. For SW Bore Pile, it is required to maintain its working capital level either (i) at or above 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors including the Housing Authority; or (ii) at the minimum working capital specified in the preceding paragraph, whichever is the higher.

Registration under “Land Piling, Group II” of the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works” covers 11 kinds of piling system: Barrette Pile, Hand Dug Caisson, Precast Concrete Pile, Large Diameter Bored Pile, Minipile, 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 and Steel Tubular Pile. The requirements for registration under each kind of piling system are basically the same except that the contractor seeking registration will have to provide the method statement, typical calculations, acceptable references and satisfactory demonstration on site in respect of that particular kind of piling system.

1. Contractor’s requirement

In approving a listing application by a foundation contractor, the Development Bureau takes into consideration the contractor’s financial strength, technical experience and management capability.

All Land Piling Group II Specialist Contractors under the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works” are required to obtain a quality management systems certification, such as ISO 9001 certification, in order to remain on the list. Certification should cover the design and construction of the relevant foundation works. SW Bore Pile possesses the requisite qualification.

2. Employee’s requirement

At least one member of the resident top management (the president, chairman, director, managing director, executive director or general manager) of the contractor shall have a minimum of five years’ local experience in managing a construction firm obtained in the past eight years.

LAWS AND REGULATIONS

Moreover, at least two persons of the technical staff of the contractor must hold a relevant degree from a Hong Kong university or equivalent with at least five years post-graduate local experience in piling works.

The listing with the Development Bureau does not require a technical director or authorised signatory to be assigned by the contractor.

SW Bore Pile has satisfied the above-mentioned requirements during the Track Record Period and as at the Latest Practicable Date.

3. Job experience of contractor

The contractor must have at least completed (within the past 5 years) three medium size or large size local projects (over HK\$3.0 million each) for each of the relevant registered piling systems and experience as main contractor.

The admission and retention on the approved lists depends on meeting the above-mentioned criteria.

LAWS AND REGULATIONS

Housing Authority

The Housing Department is the executive arm of the Housing Authority and therefore the registration requirement for the Housing Department projects follows that of the Housing Authority.

If a contractor wishes to tender for large diameter bored piling works administered by the Housing Authority, it is normally a prerequisite that the contractor is included in the “Housing Authority List of Piling Contractors” under the large diameter bored piling category. Contractors on the list are eligible to tender for contracts of unlimited values. As at the Latest Practicable Date, the number of contractors registered with the Housing Authority under “Housing Authority List of Piling Contractors” was 13 (out of which six contractors were registered under both large diameter bored piling and percussive piling category, four contractors were registered under the large diameter bored piling category only and three contractors were registered under the percussive piling category only.

1. Contractor’s requirement

In order to be admitted and retained on the list, a contractor shall be a registered specialist contractor – foundation category under the Buildings Ordinance. The contractor is required, among other things, to own at least nine crawler cranes (each of capacity not less than 70 tons), six oscillators/rotators (each of size not less than 2.5 metre diameter), six hammer grabs, six rock chisels and three reverse circulation drills (each of size not less than 2.5 metre diameter), to hold current ISO 9001, ISO 14001 and OHSAS 18001 certificates and to have a management team with specified qualifications and experience. SW Bore Pile possesses the requisite qualifications.

2. Employee’s requirement

A contractor shall run a team with at least one technical director registered with the Buildings Department, one project manager registered with the Buildings Department as authorised signatory, four technically competent persons (two of grades T4 and two of grades T2), four piling operatives and five piling equipment operators. SW Bore Pile possesses the requisite team. Further details of our Group’s technical director and authorised signatory registered with the Buildings Department are set out under the paragraph headed “Laws and Regulations – Private sector construction projects in Hong Kong”.

3. Job experience of contractor

For a contractor applying for listing in the large diameter bored piling category, amongst others, its work records should show completion of at least two contracts of such category in the preceding three years and the value of each of these contracts shall not be less than HK\$40.0 million.

Listing under the Housing Authority is subject to annual review for retention, which will normally be conducted in March or April each year.

In addition to the large diameter bored piling category, the “Housing Authority List of Piling Contractors” has a second works category, the percussive piling category. The listing requirements in respect of machinery and equipment, employees and experience for this second category are different from those set forth above, and are specific to the nature of this second category of works.

SW Bore Pile has obtained its listing with the Buildings Department, the Development Bureau and the Housing Authority. Up to the Latest Practicable Date, SW Bore Pile has never been de-listed from the said governmental departments or authorities.

Save as disclosed in this section, our Group has not been registered with any other public authorities or the MTR Corporation Limited.

LAWS AND REGULATIONS

ISO 9001, ISO 14001 and OHSAS 18001 certification

Each of ISO 9001, ISO 14001 and OHSAS 18001 certification currently carries a duration of three years, within which period surveillance audits are conducted by the certification body twice every year to review the implementation of the relevant quality system for compliance. After such three year period, each of the ISO 9001, ISO 14001 and OHSAS 18001 certification is to be further certified subject to successful implementation of a renewal audit by the certification body.

The scope of the certificates of SW Bore Pile cover the below standard:

ISO 9001:2008	Management system of SW Bore Pile for the design and construction of large diameter bored pile (with bell-out) and rock-socketed steel H-pile in pre-bored hole
ISO 14001:2004	Management system of SW Bore Pile for the design and construction of large diameter bored pile (with bell-out) and rock-socketed steel H-pile in pre-bored hole
OHSAS 18001:2007	Management system of SW Bore Pile for the design and construction of large diameter bored pile (with bell-out) and rock-socketed steel H-pile in pre-bored hole

Others

We have maintained compliance with the respective requirements under the relevant registrations and certifications in respect of health and safety, environmental and insurance in the construction industry. In our experience, the expected time to complete the renewal process is generally one to two months and our Group intends to renew all existing registrations and certifications accordingly before their respective expiry dates. We have not experienced any refusal of renewal of the registrations and certifications necessary for our operations during the Track Record Period and up to the Latest Practicable Date. Our Directors also do not expect any difficulties or legal impediment in the renewal process.

MACAU LAWS AND REGULATIONS

Laws and regulations in relation to construction/foundation works and safety

The construction/foundation works regime in Macau is mostly based on the General Construction Works Regulation, the Fire Safety Regulation, the Foundation Works Regulation, and the Safety and Action in Building Structures and Bridges Regulation.

The General Construction Works Regulation establishes administrative rules governing the process of approval of projects, licensing and supervision of construction works to be carried out in Macau. For the purposes of this regulation, the construction of new buildings, as well as reconstructions, restorations, repairs, modifications or expansions in existing buildings, demolitions of buildings and any further works that determine a change in topography and soil application infrastructures are considered “construction works”. Pursuant to the said regulation, a constructor, individual or corporate, must register with the DSSOPT, in order to carry out construction works in Macau.

LAWS AND REGULATIONS

The Fire Safety Regulation provides a set of rules aimed at preventing and controlling fires. Under the said regulation, buildings should be compartmentalised by walls and floors that are fire resistant and hinder the spread of fire. Moreover, the construction material must have sufficient fire resistance in order to minimise the risk of collapse, particularly during the period of time required for the evacuation of people and the operations of fire fighting.

The Foundation Works Regulation applies to the geotechnical aspects of foundation projects of buildings and other structures, taking into account requirements of strength, stability, functionality and durability of geotechnical structures. The Foundation Works Regulation should be interpreted in conjunction with the Safety and Actions in Building Structures and Bridges Regulation, which establishes the general criteria for safety and the methodologies used for its verification. Under the Foundation Works Regulation, the following basic rules are of particular importance:

- (a) the necessary data for the implementation of the project must be collected, recorded and interpreted appropriately;
- (b) the foundation works must be designed by professionals with appropriate qualifications and experience;
- (c) there must be continuity and adequate communication between those involved in the data collection, the project and the construction;
- (d) there must be suitable supervision and quality control in factories, shipyards and construction sites;
- (e) the construction must be performed in accordance with the relevant specifications, and by personnel with appropriate knowledge and experience;
- (f) construction materials must be used as recommended in the regulation or other normative documents and relevant specifications;
- (g) the work must be adequately maintained;
- (h) the work must be used for the purpose defined in the project.

The Safety and Action in Building Structure and Bridges Regulation establishes specific rules for verifying the safety of building structures, road bridges and footbridges, as well as other types of structures. The verification of the security of structures must be made in relation to limit states, by comparing them to the states to which the structure is driven by the performance of the actions to which it is subject. Limit states is defined as the state at which a structure is fully or partially impaired in its ability to perform the functions for which it was designed.

LAWS AND REGULATIONS

Laws and regulations in relation to labour, health and safety

The Macau Labour Relations Law of 2008 establishes the general regime of labour relations, containing various rules concerning employment contracts that range from, but are not limited to, general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly time-off, annual leave, and compensation in case of contract termination without justifiable cause. The regulatory authority in charge of monitoring compliance with the labour, safety and insurance regime is the Labour Department, in general, and the DSSOPT with respect to construction sites, in particular.

Regarding the employment of non-residents, it is important to note that non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained. The employment of such workers is subject to strict regulations included in Law no. 21/2009, which sets forth the terms for granting and renewing work permits for non-resident workers, determines measures to ensure the equal treatment of Macau resident and non-resident workers and establishes minimum contract terms and limits on the duration of employment contracts with non-resident employees.

Non compliance with the rules included in Law no. 21/2009 may constitute administrative offenses, sanctioned with fines and accessory sanctions of revocation of all or part of the authorisations to employ non-resident workers along with the prohibition to request new authorisations for a period of 6 months to 2 years, and or criminal offenses related to illegal employment, sanctioned with effective incarceration periods, fines and/or accessory sanctions of (i) revocation of all or part of the authorisations to employ non-resident workers and the prohibition for a period of 6 months to 2 years to request new authorisations; (ii) prohibition, for a period of 6 months to 2 years, to participate in public tenders related to public works or public concessions; and (iii) prohibition, for the period of 6 months to 2 years, to receive any subsidies or benefits conferred by Macau public entities.

Regarding the working environment, an employer must comply with the rules provided under the General Regulation of Work Safety and Hygiene of Offices, Services and Commercial Establishments in order to provide a safe and clean working environment for its employees. Failure to comply with those rules may result in the application of fines to the employer, according to the provisions set out by Decree Law no. 13/91/M (sanctions for the non compliance with the General Regulation of working safety and hygiene of office, service and commercial establishments).

Moreover, our Group must comply with the rules provided under Decree Law no. 44/91/M (General Regulation of Working Safety and Hygiene in the Construction Industry) and Decree Law no. 34/93/M (Legal Regime of Noise at Work) in order to provide a safe, clean and environmentally friendly working conditions for the employees. Failure to comply with those rules may result in the application of fines, according to the provisions set out by Decree Law no. 67/92/M and Decree Law no. 48/94/M.

Pursuant to Decree Law no. 40/95/M (Legal Regime of Compensation of Damages Caused by Industrial Accidents and Occupational Diseases), our Group must provide industrial accident insurance for its employees. In case our Group as the employer fails to provide such insurance, fines may be charged as legal sanction.

LAWS AND REGULATIONS

Laws and regulations in relation to environmental protection

The guidelines and fundamental principles governing environmental policy in Macau are set out in Law no. 2/91/M, dated 11 March 1991 (the “**Macau Environmental Law**”), which seeks to enhance the protection and sustainable development of the environment. As a general principle, the Macau Environmental Law prescribes that everyone has the right to an ecologically balanced environment, as well as the duty to collectively promote an improved quality of life.

In order to achieve this goal, all projects and constructions which may affect the environment or the health of citizens must be subject to a preliminary study of environmental impact. Moreover, the Macau Environmental Law prescribes that violations of the environmental legislation will be punished with civil liability, administrative fines or criminal liability (Article 268 of the Macau Criminal Code prescribes pollution-related crimes), depending on the degree of the violation in question. Also injunctions may be granted in order to cease environmental infringements. The regulatory authority in charge of monitoring environmental protection matters is the Environment Protection Services Bureau. However, police authorities are also legally entitled to impose preventive measures with respect to time period restrictions.

Concerning noise pollution in particular, Decree Law no. 54/94/M establishes rules on prevention and control of environmental noise pollution and sets noise limits. Pursuant to this Decree Law, the use of pile-driving hammers is not allowed on Sundays and on holidays, as well as between 8 p.m. and 8 a.m. on weekdays. Moreover, the use of mechanical equipment, fixed or mobile, in construction works less than 200 metres from residential buildings and hospitals is prohibited on Sundays and on holidays, as well as between 8 p.m. and 8 a.m. on weekdays.

Regarding water and marine pollution, in particular, Decree Law no. 46/96/M defines the technical conditions that must be satisfied in order to ensure the global functioning of the public water distribution system, the preservation of public health, and the safety fire fighting water installations, whereas Decree Law no. 35/97/M provides for the protection of the marine environment from pollution. The latter further prohibits the discharge of any solid or liquid residues, in particular petroleum or chemical substances, which may contaminate marine water, beaches or coastal areas and affect their flora and fauna wildlife.

Requirements for constructor registration in Macau

According to the General Construction Works Regulation, in order to legally carry out construction works in Macau, a constructor, individual or corporate, must register with the DSSOPT. Moreover, the direction of any works carried out in Macau must be done by a technician also duly registered with the DSSOPT.

The DSSOPT is one of the public organisations under the Macau Government, providing technical support and giving suggestions for policy making related to Macau’s physical development in the areas of land management and utilization, urban planning, infrastructures, and basic services. Concerning construction work, the DSSOPT promotes coast protection, conservation and maintenance, infrastructure and sanitation network development, public building and monument construction, and licensing for urban buildings and the utilization of electrical installations.

LAWS AND REGULATIONS

1. Registration procedure

The procedure for the registration of a constructor with the DSSOPT, provided for in Articles 8 ff. of the General Construction Works Regulation, is as follows:

1. A written request for the registration of a constructor must be submitted to the Director of the DSSOPT, accompanied by a list of the technical means at the constructor's disposal, as well as by a list of the construction works previously carried out, and also a declaration made by a technician registered with the DSSOPT, who declares to be the responsible technician of the constructor. The qualifications of the constructor shall be assessed based on the documents submitted to the DSSOPT.
2. In case the registration request is accepted, a registration fee, currently in the amount of MOP6,600.00 (six thousand and six hundred Patacas), must be paid within 10 (ten) days of the date of the notification of acceptance of the registration.

The registration as a constructor with the DSSOPT is valid for a period of one year, i.e., until the end of the civil year in which it was requested, and its renewal must be requested during the month of January of each subsequent civil year. Failure to comply with this deadline will result in the expiration of the registration as constructor with the DSSOPT.

The process of renewal of a registration with the DSSOPT normally takes around 15 (fifteen) working days counted from the submission by the applicant of all the required documents for that purpose, which are the same as those submitted upon registration as a constructor.

The DSSOPT will maintain an updated individual file of every registered entity which will include (a) the individual's full name and respective domicile or, if a corporate entity, its business name and articles of association and or registered address; (b) the documentation revealing professional qualifications and expertise; (c) specimen signatures containing the full and abbreviated names adopted, which, in the case of corporate entities, will be those of the directors who have legal capacity to bind the company; and (d) the indication of occurrences relating to projects directed by technicians, or occurrences relating to works carried out by construction companies.

The change of domicile or registered address of an entity registered with the DSSOPT must be communicated to DSSOPT within 8 days counting from said change.

2. Constructor's requirement

There are no specific requirements for a company to be registered as a constructor with the DSSOPT. The qualifications of the applicant company shall be assessed based on the documents submitted to the DSSOPT, namely the list of the technical means at the constructor's disposal, as well as the list of the construction works previously carried out.

LAWS AND REGULATIONS

3. *Employee's requirement*

For each project, the constructor should have a technician responsible for the works, who must also be registered as such with the DSSOPT. The qualifications of the applicant technician shall be assessed based on the documents submitted to the DSSOPT at the time of registration, namely a professional certificate and a declaration under oath regarding the observation and fulfilment of regulatory and technical provisions applicable to technicians responsible for works.

The technician in charge of a project may renounce to its direction at any time, as long as he/she communicates that fact in writing to the DSSOPT. However, such technician will be responsible and liable for the works carried out until the date of the resignation.

4. *Job experience of constructor*

There are no specific requirements for the job experience of a constructor.

Remittance of profits or repatriation of capital into Hong Kong from Macau

There are no currency control regulations, no currency control restrictions or approval requirements applicable to any outbound foreign currency transfers, nor are there any restrictions affecting the remittance of profits or repatriation of capital into Hong Kong from Macau.

COMPLIANCE

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all the registrations and certifications required for our business and operations in Hong Kong and Macau, and all of them are in force as at the Latest Practicable Date. Based on the advice of the Hong Kong Legal Adviser as to the applicable laws and regulations related to provision of foundation works and ancillary services in Hong Kong, our Directors confirmed that the operation mode of the construction projects to be carried out by our Group in Hong Kong is valid and complies with the laws in Hong Kong. Based on the advice of the Macau Legal Adviser, our Directors confirmed that the operation mode of the construction projects to be carried out by our Group in Macau is valid and complies with the laws of Macau.

HISTORY AND CORPORATE STRUCTURE

BUSINESS AND CORPORATE DEVELOPMENT

Overview

Our Company was incorporated in the Cayman Islands with limited liability on 17 September 2012 and is the holding company of our Group. Our Group comprises subsidiaries incorporated in BVI, Hong Kong and Macau. Details of the subsidiaries of our Company and our corporate structure are set out in the paragraph headed “History and corporate structure – Corporate history” in this prospectus.

Immediately following completion of the Capitalisation Issue and the Share Offer, Actiease Assets, our Controlling Shareholder, will own 75% of the voting rights in our Company (without taking into account any Shares which may be allotted and issued upon any exercise of the options which may be granted under the Share Option Scheme).

Business Development

The history of our Group can be traced back to the 1970s when Mr. Lau, the Chairman and founder of our Group, was principally engaged as a sole proprietor in, amongst others, trading of machinery and equipment in the name of Sam Woo Engineering Works with his own resources.

In 1980, Mr. Lau set up SW Engineering Equipment to carry out the trading and leasing of mainly construction machinery and equipment. With the rapid growth in the building and construction industry in Hong Kong which led to an increase in demand for bored piling works, Mr. Lau expanded his business in the foundation industry and set up SW Bore Pile in 1990. Over the years, Mr. Lau has accumulated valuable experience in the trading and leasing of construction machinery and equipment and carrying out land and marine foundation works.

After the establishment of SW Bore Pile in 1990, SW Bore Pile and its group companies owned by Mr. Lau successfully completed various foundation projects for both the private and public sectors in Hong Kong and their success led to their listing on the Main Board of the Stock Exchange in 2003 with SW Holdings as their holding company (collectively, the “**SW Holdings Group**”) under stock code 2322.

The demand for foundation works in Hong Kong closely correlates to the expenditure on infrastructure projects and building construction projects in Hong Kong as execution of foundation works is generally regarded as an essential construction process in such projects. As set out in the section headed “Industry Overview” of this prospectus, the gross value of construction works in Hong Kong was approximately HK\$42.0 billion in 2006. In light of the then economic environment, SW Holdings Group strategically re-positioned its business by diversifying and expanding into vessel chartering in 2006.

Though the construction market had showed signs of gradual recovery in 2006, competition in the foundation industry had been intense mainly due to (i) competitive pricing; and (ii) escalating project costs (including but not limited to labour costs, finance costs, diesel and steel prices). Taking into account the above factors, in the course of tendering for foundation works and ancillary services contracts, SW Holdings Group took measures to ensure that its profitability would commensurate with project risk.

HISTORY AND CORPORATE STRUCTURE

Although SW Holdings Group had tendered for a number of projects in Hong Kong during 2007 to 2009, its success rate was comparatively low as the competitive environment at that time had led to pricing tension among foundation works contractors whereby some of our competitors would bid for projects at a price which was far below SW Holdings Group's then bidding price or its estimated project costs. For this reason, during such period, SW Holdings Group's business in foundation works, ancillary services and trading of foundation works related machinery and equipment (collectively the "**SW Foundation Segment**") suffered a decrease in revenue and resulted in a loss in the financial year ended 31 March 2009.

In 2009, SW Holdings Group submitted tenders for more than 100 projects in Hong Kong, but was only successful in securing three foundation works and ancillary services contracts. The SW Foundation Segment recorded revenue of approximately HK\$4,000 for the year ended 31 March 2009, which was related to an adjustment of a contract income receivables from foundation works projects completed in prior years. Furthermore, as the foundation works and ancillary services under the aforesaid three awarded contracts had not commenced for the year ended 31 March 2009, no revenue was recognised during the corresponding year. SW Foundation Segment recorded an unaudited segment loss of approximately HK\$16.0 million for the year ended 31 March 2009.

Although the revenue generated from the SW Foundation Segment for the year ended 31 March 2010 increased to approximately HK\$57.2 million and the SW Foundation Segment recorded unaudited segment profit of approximately HK\$13.4 million, SW Holdings Group had not secured any foundation works and ancillary services projects despite its submission of more than 70 tenders/quotations during January to September 2010.

In view of the weak economic environment, continued price pressure and intense competition, the then directors of SW Holdings made a strategic decision to discontinue its business in SW Foundation Segment and disposed of this business in October 2010 at a consideration of HK\$140 million and focused instead on its vessel chartering business. Mr. Lau, through Actiease Assets, took up the SW Foundation Segment and continued to support the business by his own resources. The disposal of the SW (BVI), being the investment holding which owned the entire interest in the principal operating subsidiaries under the SW Foundation Segment, had resulted in a gain to SW Holdings Group.

Subsequent to the completion of the acquisition of the entire interest of SW (BVI) by Actiease Assets, Actiease Assets disposed of all of its equity interests in SW Holdings Group to an independent third party and each of Mr. Lau, Ms. Leung, Mr. Lau Chun Kwok and Mr. Lau Chun Ka ceased his/her directorship in SW Holdings Group. Meanwhile, our Group continued to carry out foundation works and ancillary services and occasionally, leased out machinery and equipment.

For the year ended 31 March 2012, our Group undertook foundation works and ancillary services for construction projects in Hong Kong only. Subsequently in December 2012, our Group entered into the Macau construction market and was awarded our first Macau based foundation works and ancillary services contract (namely the Hotel Tower Project) for the contract sum of approximately HK\$537.3 million. In February 2013, the registration of our wholly-owned subsidiary, SW Foundation (Macau), as a construction contractor in Macau was successfully approved by DSSOPT. In January and February 2014, our Group was awarded a contract for foundation works and ancillary services in relation to each of the Composite Development Project and Hotel Casino Project in Macau respectively.

HISTORY AND CORPORATE STRUCTURE

During the Track Record Period, our Group completed 11 foundation works and ancillary services projects and expanded our business to the Macau construction market. As at the Latest Practicable Date, our Group had five contracts on hand with an aggregate contract sum (including contracts in progress and contracts of which our work is yet to commence) of approximately HK\$1,348.6 million.

Mr. Lau's other businesses at the time of the acquisition of SW (BVI) in October 2010

At the time of the acquisition of SW (BVI), Mr. Lau was involved in three other businesses, namely (i) a property related business; (ii) a vessel related business; and (iii) a production and sale of finished precast concrete products business, none of which is a competing business with the foundation business or is included in our Group.

(i) Mr. Lau's property related business

There was a potential property development project in respect of the development of Mr. Lau's parcel of land at the Remaining Portion of Lot Nos. 1313 and 1317 in Demarcation District No. 106, Yuen Long, New Territories. Such site has been zoned for residential use and therefore can be used to develop residential properties. At the time of the acquisition of SW (BVI) in October 2010, Mr. Lau considered that there could be potential synergies from engaging SW (BVI) (or its subsidiaries) to perform the relevant foundation works on the site. However, Mr. Lau did not proceed with such potential property development project subsequent to the acquisition of SW (BVI) and up to the Latest Practicable Date due to (a) the financial resources and time required to be committed to develop the potential development project; and (b) the then available foundation works and ancillary services contracts for which SW (BVI) had planned to tender at the time. Details of contracts undertaken by our Group during the Track Record Period are set out under paragraph headed "Business – Foundation works and ancillary services projects" in this prospectus. As such, no synergy could be achieved.

Subsequent to the acquisition of SW (BVI), Mr. Lau decided to focus his resources, including both his time and capital, on developing the foundation business of our Group. In this connection, notable capital was required to finance the acquisition of machinery and equipment as well as working capital for carrying out the foundation works and ancillary services projects. A portion of the required working capital had to be funded by Mr. Lau. The aforesaid capital provided by Mr. Lau to our Group had resulted in an amount due to a director of approximately HK\$113.1 million as recorded on the combined balance sheets of our Group as at 31 March 2012, which was subsequently repaid in full by our Group. In order to capture the abovementioned business opportunities in the foundation works and ancillary services projects available for our Group during the Track Record Period and up to the Latest Practicable Date whereby notable capital and time commitment would be required, Mr. Lau decided not to pursue the potential property development project at that point in time.

As at the Latest Practicable Date, the above-mentioned parcel of land had been leased to our Group for storage of machinery and equipment. For details of the aforesaid lease, please refer to the paragraphs headed "Connected Transactions – Tenancy Agreements – leasing of storage property". In addition, as at the Latest Practicable Date, Mr. Lau has no intention to proceed with the aforesaid potential property development project in the foreseeable future and Mr. Lau's property related business has therefore not been included in our Group.

In the event that Mr. Lau decides to proceed with the potential property development project in the future, our Group will be considered as the preferred foundation contractor for such project, subject to the price being acceptable to our Group and the availability of the relevant resources by that time.

HISTORY AND CORPORATE STRUCTURE

Apart from the above-mentioned parcel of land, Mr. Lau also owns other properties for leasing.

(ii) Mr. Lau's vessel related business

Mr. Lau had a fleet of eight support vessels at the time of the acquisition of SW (BVI), which were comprised of tugboats and barges. Such vessels can be deployed to support marine piling projects. Notwithstanding that these support vessels alone cannot carry out marine piling works and our Group would have to acquire and/or lease suitable vessels to carry out the marine piling works, at the time of the acquisition of the acquisition of SW (BVI), Mr. Lau considered that potential synergies could be created by deploying the aforesaid fleet of vessels as support vessels for potential marine piling projects.

During the Track Record Period, our Group submitted two quotations for a sizeable foundation works contract which involved marine piling works. However, our Group was not awarded with the aforesaid contract and did not carry out any marine piling related foundation works during the Track Record Period and up to the Latest Practicable Date. As such, no synergy could be achieved.

Furthermore, as at the Latest Practicable Date, none of our Group's contracts on hand or contracts for which our Group had submitted tender/quotation would involve marine piling. As such, our Group would not be required to utilise these support vessels in the foreseeable future and therefore it is not in the interest of our Group to maintain these support vessels taking into account the maintenance and upkeep costs. Mr. Lau's vessel related business has therefore not been included in our Group.

Notwithstanding the above, in the event that our Group tenders for, and is awarded, any foundation works and ancillary services contract which involves marine piling in the future, our Group may consider chartering these support vessels from Mr. Lau, if such support vessels are suitable for use and the chartering costs are acceptable to our Group.

Apart from the above, Mr. Lau's vessel related business also involved the trading of vessels.

(iii) Mr. Lau's production and sale of finished precast concrete products business

In respect of Mr. Lau's business in production and sale of finished precast concrete products, those products are custom made and primarily used as structural materials for superstructures, which cannot and would not be used in foundation works. As such, there is no synergy between the operations of such business and the foundation business carried out by our Group and such business has therefore not been included in our Group.

As at the Latest Practicable Date, Mr. Lau was still engaged in the aforesaid business in the production and sale of finished precast concrete products.

HISTORY AND CORPORATE STRUCTURE

Milestones of our Group

The key events of the development of our Group following the completion of the acquisition of the entire interest of SW (BVI) by Actiease Assets are as follows:

Date	Milestones
August 2011	SW Foundation (Macau) was incorporated
February 2012	A piling works project of a logistics centre in Tsing Yi, Hong Kong, for a contract sum of approximately HK\$148.7 million was awarded to us
April 2012	The foundation work and basement excavation piling works project in Wong Tai Sin, Hong Kong, for a contract sum of approximately HK\$161.4 million was awarded to us
December 2012	Entered into the Macau construction market and was awarded the Hotel Tower Project for a contract sum of approximately HK\$537.3 million, being the first project of our Group based in Macau
February 2013	The registration of SW Foundation (Macau) as a construction contractor in Macau was approved by the DSSOPT
December 2013	The Hotel Tower Project was completed
January 2014	The Composite Development Project in Macau for a contract sum of approximately HK\$462.8 million was awarded to us
February 2014	The Hotel Casino Project in Macau for a contract sum of approximately HK\$354.1 million and the multi-storey logistics centre piling works project in Tsing Yi, Hong Kong, for a contract sum of approximately HK\$292.7 million were awarded to us

HISTORY AND CORPORATE STRUCTURE

Corporate History

All the direct and indirect subsidiaries of our Company are listed below:

Company name	Place of incorporation	Date of incorporation	Type of legal entity	Issued and fully paid share capital as at the Latest Practicable Date	Attributable equity interest as at the Latest Practicable Date		Principal activities as at the Latest Practicable Date
					Directly held	Indirectly held	
SW (BVI)	British Virgin Islands	22 February 2001	Limited liability company	US\$10,000	100%	–	Investment holding
SW Bore Pile	Hong Kong	7 September 1990	Limited liability company	HK\$10,000,000	–	100%	Foundation works and ancillary services in Hong Kong
SW Construction & Engineering	Hong Kong	11 May 1995	Limited liability company	HK\$100,000	–	100%	Trading and leasing of machinery and equipment in Hong Kong
SW Engineering Equipment	Hong Kong	7 October 1980	Limited liability company	HK\$500,000	–	100%	Leasing of machinery and equipment in Hong Kong
SW Foundation (Macau)	Macau	23 August 2011	Limited liability company by quotas	MOP30,000	–	100%	Foundation works and ancillary services in Macau
SW Construction	Hong Kong	5 August 2002	Limited liability company	HK\$10,000	–	100%	Foundation works and leasing of machinery and equipment for foundation works and ancillary services in Hong Kong
SW Civil Contractors	Hong Kong	5 August 2002	Limited liability company	HK\$10,000	–	100%	Inactive
SW Civil Works	Hong Kong	25 July 2003	Limited liability company	HK\$2	–	100%	Inactive

HISTORY AND CORPORATE STRUCTURE

Company name	Place of incorporation	Date of incorporation	Type of legal entity	Issued and fully paid share capital as at the Latest Practicable Date	Attributable equity interest as at the Latest Practicable Date		Principal activities as at the Latest Practicable Date
					Directly held	Indirectly held	
SW Foundation	Hong Kong	25 July 2003	Limited liability company	HK\$2	–	100%	Foundation works and ancillary services in Hong Kong
SW Finance	Hong Kong	28 January 2004	Limited liability company	HK\$2	–	100%	Provision of financial services to group companies
SW Offshore Engineering	Hong Kong	25 May 2006	Limited liability company	HK\$1	–	100%	Inactive
SW AA Construction Group	Hong Kong	22 March 2012	Limited liability company	HK\$1	–	100%	Inactive (<i>Note</i>)
SW Foundation Group	Hong Kong	22 March 2012	Limited liability company	HK\$1	–	100%	Inactive (<i>Note</i>)
Redland Contractors	Hong Kong	18 May 2011	Limited liability company	HK\$2	–	100%	Foundation works and ancillary services in Hong Kong

Note: Apart from holding certain trademarks and a patent and applying for registration of certain patents, SW AA Construction Group and SW Foundation Group had not carried on any business as at the Latest Practicable Date. For more details about the trademarks and patents, please see the paragraph headed “Statutory and General Information – Further information about the business of our Group – Intellectual property rights of our Group” in Appendix IV to this prospectus.

The following sets forth the corporate development of our operating subsidiaries since their respective date of incorporation:

SW (BVI)

SW (BVI) was incorporated on 22 February 2001 under the name of Active Best Securities Limited. In order to maintain consistency with the name of other members of our Group, its name was changed to its current name on 22 May 2002. SW (BVI) is an investment holding company and the holder of the entire issued share capital of each of (i) SW Engineering Equipment (which in turn holds the entire issued share capital of SW Construction & Engineering); (ii) SW Bore Pile (which in turn holds the entire registered capital of SW Foundation (Macau)); (iii) SW Construction; (iv) SW Civil Contractors; (v) SW Civil Works; (vi) SW Foundation; (vii) SW Finance; (viii) SW Offshore Engineering; (ix) SW AA Construction Group; (x) SW Foundation Group; and (xi) Redland Contractors.

HISTORY AND CORPORATE STRUCTURE

On 3 April 2001, 5,639 shares, 1,934 shares, 1,889 shares and 538 shares of SW (BVI) of US\$1.00 each were allotted and issued to each of Mr. Lau, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung, respectively, and SW (BVI) was then owned by Mr. Lau, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung as to 56.39%, 19.34%, 18.89% and 5.38%, respectively.

On 4 April 2001, Mr. Lau, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung respectively transferred their entire 56.39%, 9.34%, 8.89% and 5.38% interest in SW (BVI) to Actiease Assets at the consideration of US\$5,639, US\$934, US\$889 and US\$538, respectively. The consideration was based on the par value of the Shares and was settled by cash. As such, SW (BVI) was owned as to 80%, 10% and 10% by Actiease Assets, Mr. Lau Chun Kwok and Mr. Lau Chun Ka.

On 28 March 2003, Actiease Assets, Mr. Lau Chun Kwok and Mr. Lau Chun Ka together transferred the entire issued share capital of SW (BVI) to SW Holdings for the purpose of facilitating the listing of SW Holdings on the Main Board of the Stock Exchange and in consideration thereof (i) SW Holdings crediting as fully paid at par (a) the 1,000,000 shares of HK\$0.10 each in its share capital which had already been allotted and issued nil-paid to Mr. Lau on 9 August 2002 and had subsequently been transferred to Actiease Assets on 28 March 2003; and (b) the one nil-paid share thereof which had already been allotted and issued to each of CKL and Nice Fair on 28 March 2003 and (ii) the issue of 124,999 shares and 124,999 shares in SW Holdings credited as fully paid to CKL and Nice Fair, respectively.

On 21 February 2011, for the purpose of effectuating SW Holdings' disposal of the SW Foundation Segment, SW Holdings transferred the entire issued share capital of SW (BVI) to Actiease Assets, at a total consideration of HK\$140.0 million.

The consideration for the transfer of HK\$140.0 million was settled partly by cash of HK\$48.0 million paid by Actiease Assets and partly by the Promissory Note, which was fully paid up and discharged by Actiease Assets, CKL (on behalf of Actiease Assets as directed by Mr. Lau) and Nice Fair (on behalf of Actiease Assets as directed by Mr. Lau) by applying the entire sum of their respective entitlement in a special dividend declared by SW Holdings on 21 February 2011 in the amount of HK\$71.3 million, HK\$10.35 million and HK\$10.35 million, respectively. Hence, the transfer of the entire issued share capital of SW (BVI) from SW Holdings to Actiease Assets was properly and legally completed and settled.

On 15 September 2014 and pursuant to the Reorganisation, Actiease Assets transferred its entire shareholding interest in SW (BVI) to our Company at the consideration set out under the paragraph headed "Reorganisation" in this section.

SW Engineering Equipment

SW Engineering Equipment was incorporated on 7 October 1980 and its principal activities involved the leasing of machinery and equipment in Hong Kong.

HISTORY AND CORPORATE STRUCTURE

As at the date of its incorporation, SW Engineering Equipment was owned by Ms. Leung and Mr. Lau Chun Kwok in equal shares. On 5 June 1981, an additional 59,999 shares and 39,999 shares of HK\$1.00 each were allotted and issued to Ms. Leung and Mr. Lau Chun Kwok, respectively at par value. On 25 January 1995, an additional 400,000 shares of HK\$1.00 each were allotted and issued to Mr. Lau at par value and SW Engineering Equipment was then owned by Mr. Lau, Ms. Leung and Mr. Lau Chun Kwok as to 80%, 12% and 8%, respectively. On 3 April 2001, Mr. Lau, Ms. Leung and Mr. Lau Chun Kwok together transferred the entire issued share capital of SW Engineering Equipment to SW (BVI) in consideration for 443 shares, 66 shares and 45 shares in SW (BVI), which are in proportion to their respective shareholding in SW Engineering Equipment and at the same time, Mr. Lau held one share on trust for SW (BVI) pursuant to a declaration of trust dated 3 April 2001 as a company incorporated in Hong Kong should have a minimum of two shareholders at that time. The transfer was merely a swap of shares in SW Engineering Equipment for the shares in SW (BVI). On 30 July 2012, Mr. Lau transferred the one share held on trust by him for SW (BVI) in SW Engineering Equipment to SW AA Construction Group at nil consideration as this represented a mere replacement of the old trustee by a new one. Pursuant to a declaration of trust dated 30 July 2012, SW AA Construction Group declared that it was holding the one share in SW Engineering Equipment on trust for SW (BVI). Hence, SW Engineering Equipment is wholly and beneficially owned by SW (BVI).

SW Construction & Engineering

SW Construction & Engineering was incorporated on 11 May 1995 and its principal activities involved the trading and leasing of machinery and equipment in Hong Kong. SW Construction & Engineering was formerly known as Rich Keen Asia Limited on incorporation. To be in line with the name of other members of our Group, the former name was changed to its current name on 7 June 1999.

As at the date of its incorporation, SW Construction & Engineering was owned by two nominee subscribers. On 5 January 1996, 2,499 shares, 2,499 shares, 2,500 shares and 2,500 shares of HK\$1.00 each were allotted and issued to each of Mr. Lau, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung, respectively at par value. On 13 January, 1996, the two nominee subscribers transferred their respective subscriber shares of HK\$1.00 each to Mr. Lau Chun Kwok and Mr. Lau, respectively at par value, and SW Construction & Engineering was then owned by Mr. Lau, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung as to 25% each. On 15 May 1998, SW Construction & Engineering issued and allotted 90,000 shares to SW Engineering Equipment at par and on the same day, Mr. Lau, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung together transferred the entire issued share capital of SW Construction & Engineering to SW Engineering Equipment at the consideration of HK\$2,500, HK\$2,500, HK\$2,500 and HK\$2,500, respectively, being the par value of the shares and was subsequently settled by cash with Mr. Lau holding one share on trust for SW Engineering Equipment pursuant to a declaration of trust dated 15 May 1998. On 30 July 2012, Mr. Lau transferred the one share held by him on trust for SW Engineering Equipment in SW Construction & Engineering to SW AA Construction Group at nil consideration as this represented a mere replacement of the old trustee by a new one and pursuant to a declaration of trust dated 31 July 2012, SW AA Construction Group declared that it was holding the one share in SW Construction & Engineering on trust for SW Engineering Equipment. Hence, SW Construction & Engineering is wholly and beneficially owned by SW Engineering Equipment.

HISTORY AND CORPORATE STRUCTURE

SW Bore Pile

SW Bore Pile was incorporated on 7 September 1990 and its principal activities involved foundation works and ancillary services in Hong Kong.

As at the date of its incorporation, SW Bore Pile was owned by Mr. Lau, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung in equal shares. On 17 December 1994, an additional 5,499,999 shares, 1,999,999 shares, 1,999,999 shares and 499,999 shares of HK\$1.00 each were allotted and issued to each of Mr. Lau, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung at their par value, respectively, and SW Bore Pile was then owned by Mr. Lau, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung as to 55%, 20%, 20% and 5%, respectively. On 3 April 2001, Mr. Lau, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung together transferred the entire issued share capital of SW Bore Pile to SW (BVI) in consideration for 5,196 shares, 1,889 shares, 1,889 shares and 472 shares of US\$1.00 each in SW (BVI), which are approximately in the same proportion to their respective shareholding in SW Bore Pile and at the same time, Mr. Lau also held one share in SW Bore Pile on trust for SW (BVI) pursuant to a declaration of trust dated 3 April 2001 as a company incorporated in Hong Kong should have a minimum of two shareholders at that time. The transfer was merely a swap of shares in SW Bore Pile for shares in SW (BVI). On 30 July 2012, Mr. Lau transferred his one share in SW Bore Pile held on trust for SW (BVI) in SW Bore Pile to SW AA Construction Group at nil consideration as this represented a mere replacement of the old trustee by a new one and pursuant to a declaration of trust dated 30 July 2012, SW AA Construction Group declared that it was holding the one share in SW Bore Pile on trust for SW (BVI). Hence, SW Bore Pile is wholly and beneficially owned by SW (BVI).

SW Foundation (Macau)

SW Foundation (Macau) was incorporated on 23 August 2011 with a registered capital of MOP30,000 and its principal activities involved foundation works and ancillary services in Macau.

As at the date of its incorporation, SW Foundation (Macau) was owned by Mr. Lau and Mr. Lau Chun Kwok as to 96.67% and 3.33%, respectively. On 8 November 2011, the registered capital of MOP29,000 was transferred to SW Bore Pile at a total consideration of MOP29,000, which was settled by cash, with the remaining registered capital of MOP1,000 held by Mr. Lau. Pursuant to a power of attorney dated 18 October 2012 executed by Mr. Lau as the holder of the quota of MOP1,000, Mr. Lau granted all his powers relating to (a) the social rights and (b) his quota of MOP1,000 in SW Foundation (Macau), including the powers to enable the attorney to assign his quota of MOP1,000 into its own name, in favour of SW Bore Pile. For the purpose of streamlining the corporate structure of our Group, on 5 September 2014, Mr. Lau transferred his quota of MOP1,000 to SW AA Construction Group. Pursuant to an irrevocable power of attorney dated 17 September 2014 executed by SW AA Construction Group as the holder of the quota of MOP1,000, SW AA Construction Group granted all powers relating to (a) the social rights and (b) the quota of MOP1,000 held in SW Foundation (Macau), including the powers for the attorney to assign the said quota into its own name, in favour of SW Bore Pile. In addition, the power of attorney issued by Mr. Lau on 18 October 2012 ceased to be valid as Mr. Lau was no longer be the owner of the MOP1,000 quota in SW Foundation (Macau) hence not holding any social rights over such quota. Based on the advice of the Macau Legal Adviser, our Directors confirm that the power of attorney granted by SW AA Construction Group in favour of SW Bore Pile forms an irrevocable act and cannot be revoked by SW AA Construction Group without the consent of SW Bore Pile. SW Bore Pile beneficially owns the entire registered capital of SW Foundation (Macau). Hence, SW Foundation (Macau) is wholly and beneficially owned by SW Bore Pile.

HISTORY AND CORPORATE STRUCTURE

SW Construction

SW Construction was incorporated on 5 August 2002 and it is principally carrying on the business of foundation works and ancillary services and leasing of machinery and equipment for foundation works and ancillary services in Hong Kong.

As at the date of its incorporation, SW Construction was owned as to 99.99% by SW (BVI) and 0.01% by Mr. Lau where Mr. Lau held one share on trust for SW (BVI) pursuant to a declaration of trust dated 19 August 2002. On 30 July 2012, Mr. Lau transferred his one share held on trust for SW (BVI) in SW Construction to SW AA Construction Group at nil consideration as this represented a mere replacement of the old trustee by a new one. Pursuant to a declaration of trust dated 30 July 2012, SW AA Construction Group declared that it was holding the one share in SW Construction on trust for SW (BVI). Hence, SW Construction is wholly and beneficially owned by SW (BVI).

SW Foundation

SW Foundation was incorporated on 25 July 2003 and is principally engaged in carrying on the business of foundation works and ancillary services in Hong Kong. As at the date of its incorporation, SW Foundation was owned by SW (BVI) and SW Group (Holdings), which held one share in SW Foundation on trust for SW (BVI) pursuant to a declaration of trust dated 25 July 2003. On 30 July 2012, SW Group (Holdings) transferred its one share held on trust for SW (BVI) in SW Foundation to SW AA Construction Group at nil consideration as this represented a mere replacement of the old trustee by a new one. Pursuant to a declaration of trust dated 30 July 2012, SW AA Construction Group declared that it was holding the one share in SW Foundation on trust for SW (BVI). Hence, SW Foundation is wholly and beneficially owned by SW (BVI).

SW Finance

SW Finance was incorporated on 28 January 2004 and its principal activities involved the provision of financial services to the companies of our Group.

As at the date of its incorporation, SW Finance was owned by SW (BVI) and SW Group (Holdings), which held one share on trust for SW (BVI) pursuant to a declaration of trust dated 6 February 2004. On 30 July 2012, SW Group (Holdings) transferred its one share in SW Finance to SW AA Construction Group at nil consideration as this represented a mere replacement of the old trustee by a new one. Pursuant to a declaration of trust dated 30 July 2012, SW AA Construction Group declared that it was holding the one share in SW Finance on trust for SW (BVI). Hence, SW Finance is wholly and beneficially owned by SW (BVI).

HISTORY AND CORPORATE STRUCTURE

Redland Contractors

Redland Contractors was incorporated on 18 May 2011 and its principal activities involved carrying on foundation works and ancillary services in Hong Kong. As at the date of its incorporation, Redland Contractors was wholly-owned by Best Captain, which held the two issued shares, representing its then issued share capital, on trust for SW (BVI) from 18 May 2011 to 30 July 2012. On 30 July 2012, Best Captain was directed by SW (BVI) to transfer the entire issued share capital of Redland Contractors to SW (BVI) at the consideration of HK\$2.00, which had been settled by cash.

Each of the share transfers mentioned above was properly and legally completed and settled.

Subsidiaries disposed of by our Group during the Track Record Period

During the Track Record Period, our Group had disposed of the following subsidiaries with a view to streamlining the corporate structure of our Group as these subsidiaries had not carried on any business activities since their respective date of incorporation:

SW Group (Holdings)

SW Group (Holdings) was incorporated on 16 December 2002 and the entire issued share capital of which was transferred to Mr. Lau at the consideration of HK\$2.00 on 30 July 2012, based on the par value of such share capital and was settled by cash. After the transfer, SW Group (Holdings) ceased to be a subsidiary of our Group.

SW Ship Management

SW Ship Management was incorporated on 15 June 2005 and the entire issued share capital of which was transferred to Mr. Lau at the consideration of HK\$1.00 on 30 July 2012, based on the par value of the share capital and was settled by cash. After the transfer, SW Ship Management ceased to be a subsidiary of our Group.

三和集團

三和集團 was incorporated on 13 October 2004 and the entire issued share capital of which was transferred to Mr. Lau at the consideration of HK\$1.00 on 30 July 2012, based on the par value of the share capital and was settled by cash. After the transfer, 三和集團 ceased to be a subsidiary of our Group.

Each of the share transfers mentioned above was properly and legally completed and settled.

HISTORY AND CORPORATE STRUCTURE

The Family Trust

On 3 March 2003, Mr. Lau (as settlor) set up the Family Trust as a discretionary trust with Nautilus Trustees as trustee.

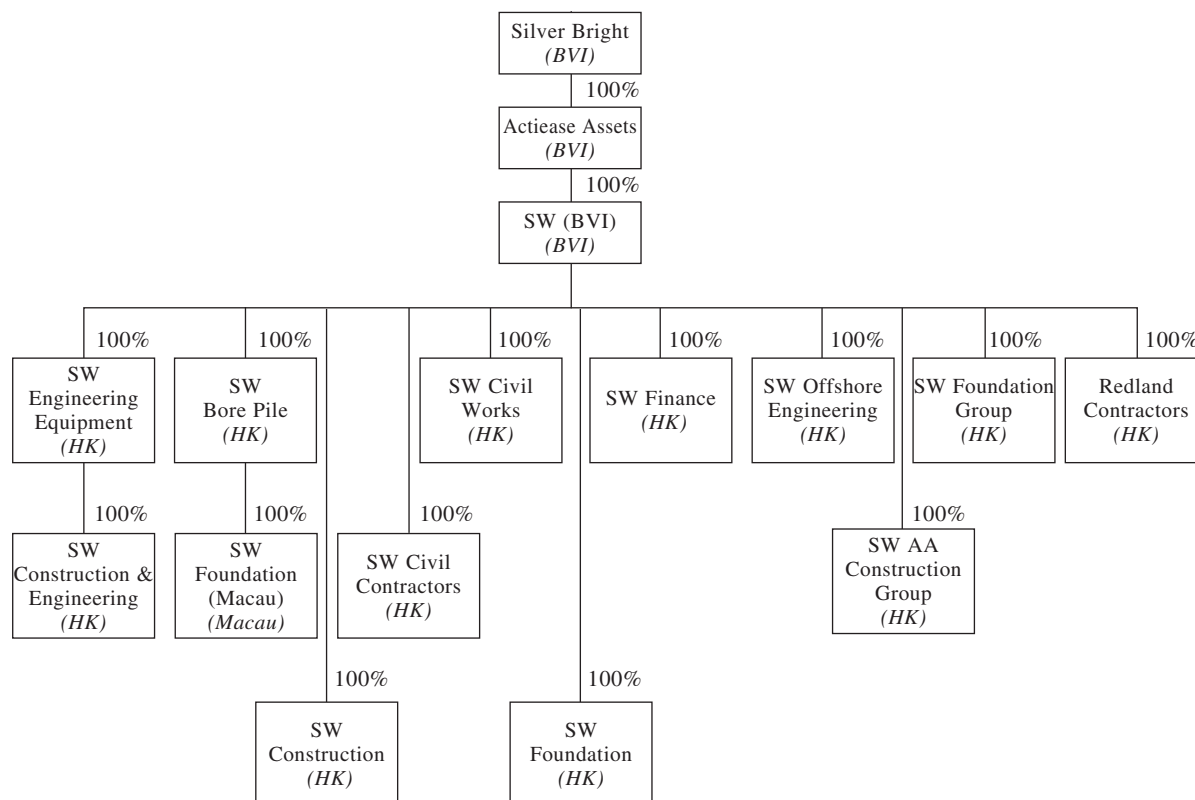
On 4 March 2003, Mr. Lau (as settlor) set up the Unit Trust with Managecorp Limited as trustee. The entire issued units of the Unit Trust are held by Nautilus Trustees as trustee of the Family Trust. Subsequently, on 28 March 2003, Mr. Lau and Ms. Leung transferred 56 shares and five shares of Actiease Assets, respectively, to Silver Bright, which is 100% held by Managecorp Limited as trustee of the Unit Trust, representing the entire issued share capital of Actiease Assets at the consideration of US\$10,557,193 and US\$942,607, respectively, which was based on the value of the shares of Actiease Assets at the time of transfers and was settled by a deed of indebtedness issued by Nautilus Trustees as trustee of the Family Trust.

Upon completion of the abovementioned transfers by Mr. Lau and Ms. Leung, Actiease Assets was 100% owned by Silver Bright, which is in turn wholly-owned by Managecorp Limited as trustee of the Unit Trust. In light of the above, upon completion of the Reorganisation, the Shares held by Actiease Assets are indirectly owned by the Family Trust. The beneficiary of the Family Trust is Ms. Leung.

HISTORY AND CORPORATE STRUCTURE

REORGANISATION

The following chart shows the shareholding structure of our Group immediately prior to the Reorganisation and the Share Offer:

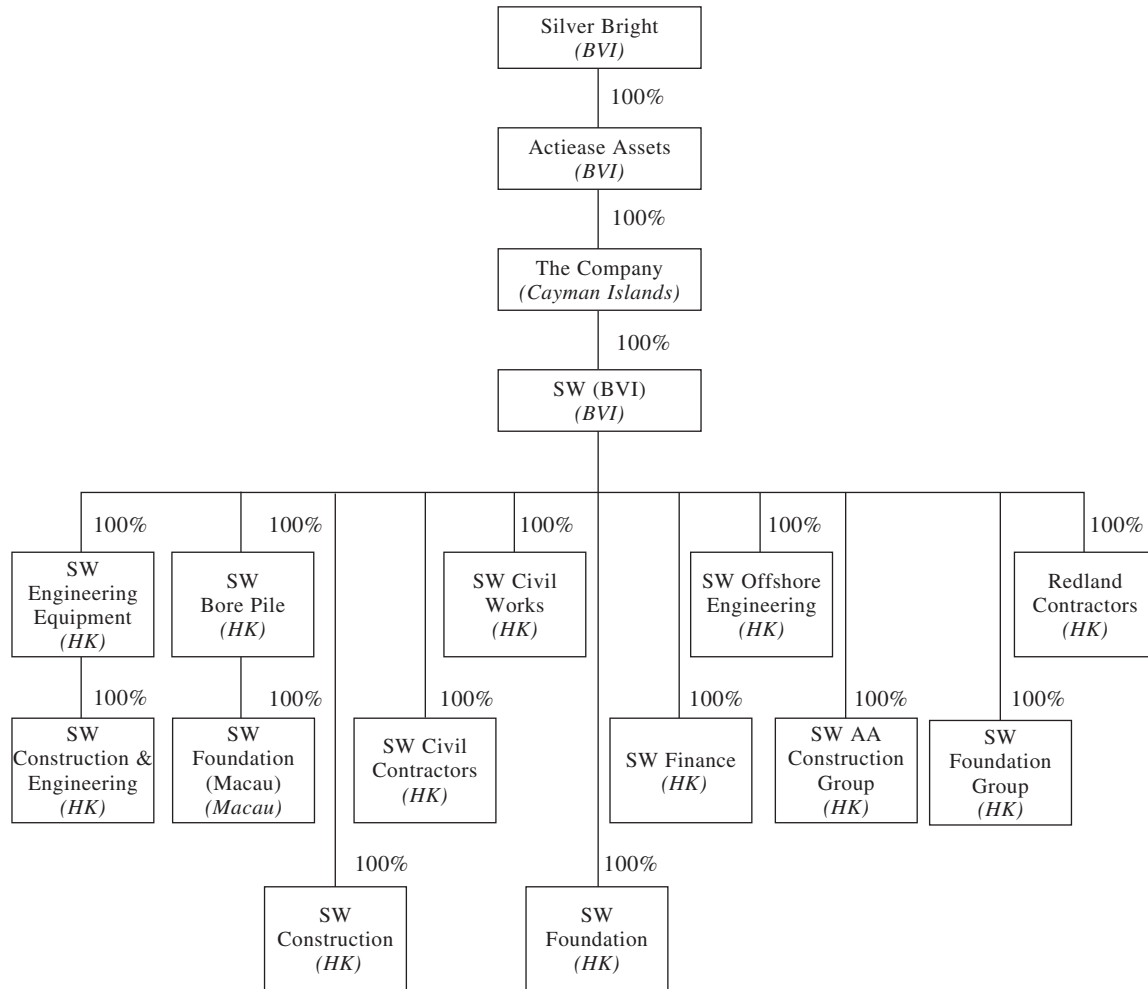


Our Group underwent the Reorganisation in preparation for the Listing. The principal steps involved in the Reorganisation are summarised below:

- (a) On 17 September 2012, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with par value of HK\$0.01 each. On the same day, one subscriber Share was allotted and issued nil-paid to Codan Trust Company (Cayman) Limited. Subsequently, Codan Trust Company (Cayman) Limited transferred the one subscriber Share to Mr. Lau, which was held on trust for Actiease Assets. On 9 July 2014, the one subscriber Share was transferred to Actiease Assets;
- (b) On 15 September 2014, pursuant to the Reorganisation Agreement, our Company acquired the entire issued share capital of SW (BVI) from Actiease Assets, in consideration of and in exchange for which, (i) the one nil-paid Share held by Actiease Assets was credited as fully paid; and (ii) 999 Shares were allotted and issued, credited as fully paid, to Actiease Assets. After completion of the Reorganisation Agreement, our Company became the holding company of our Group.

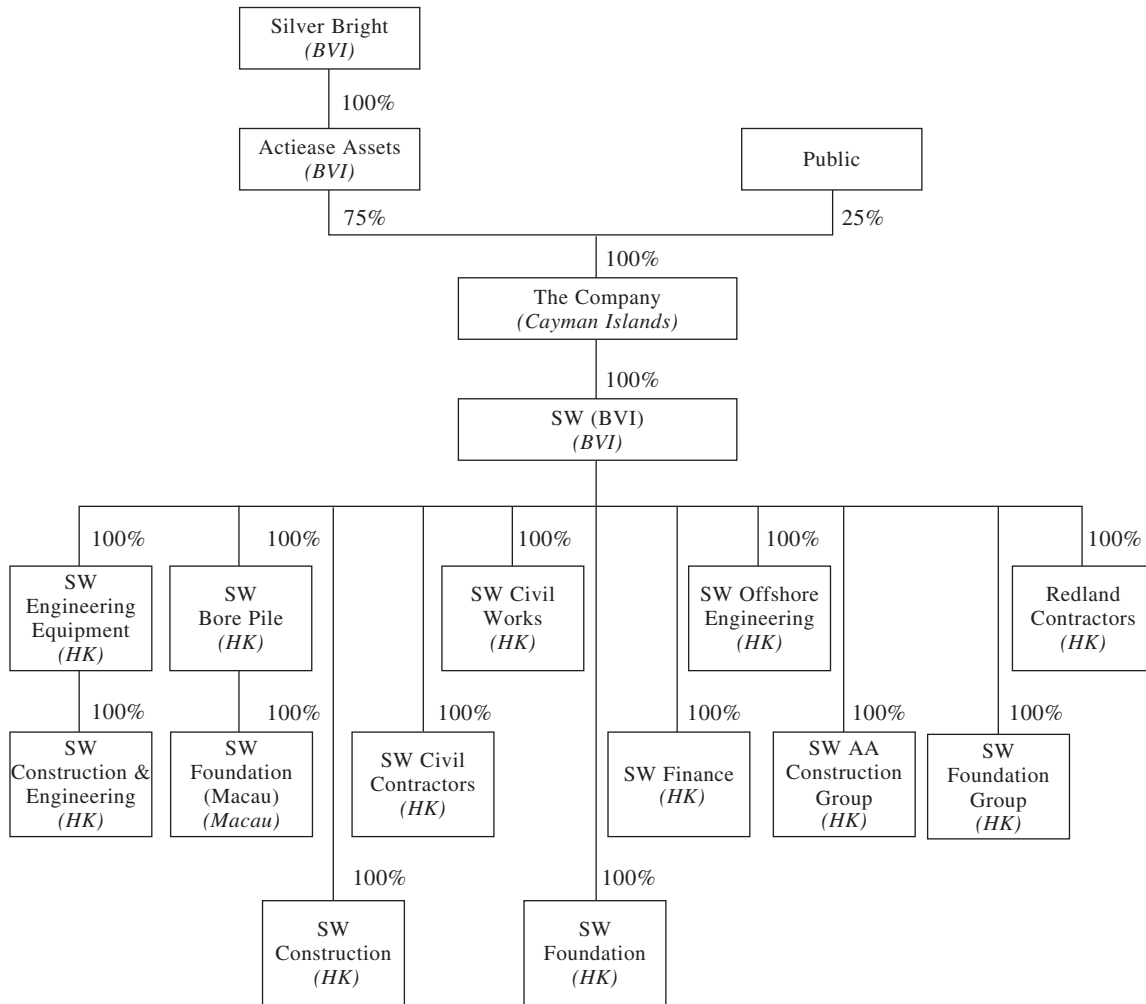
HISTORY AND CORPORATE STRUCTURE

Upon completion of the Reorganisation, our Company became the holding company of our Group. The following chart sets out the shareholding structure of our Group immediately after the Reorganisation but prior to completion of the Share Offer and the Capitalisation Issue:



HISTORY AND CORPORATE STRUCTURE

The following chart sets forth the shareholding structure of our Group after the Reorganisation and immediately following the Share Offer and the Capitalisation Issue:



BUSINESS

COMPANY OVERVIEW

Our Group is an established contractor in the Hong Kong foundation industry. Our Group is principally engaged in the provision of (i) foundation works, including the construction of bored piles, rock socketed H-piles and excavation and lateral support works; and (ii) ancillary services, including site investigation and removal of installed piles.

Through SW Bore Pile, a principal operating subsidiary, our Group is (i) an approved supplier of materials and specialist contractor for public works – land piling (Group II), large diameter bored pile (with bell-out) with the Development Bureau; (ii) a piling contractor under the large diameter bored piling category with the Housing Authority; and (iii) a registered specialist contractor under the foundation works category with the Buildings Department. SW Foundation (Macau), the operating subsidiary of our Group in Macau, is approved by the DSSOPT as a construction contractor in Macau.

Historically and up until the year ended 31 March 2012, our Group undertook foundation works and ancillary services for construction projects in Hong Kong only. Subsequently in December 2012, our Group entered into the Macau construction market and was awarded a contract for foundation works and ancillary services based in Macau, namely the Hotel Tower Project.

Since the commencement of the Track Record Period and up to the Latest Practicable Date, we have been awarded and/or undertaken a total of 16 projects involving foundation works and ancillary services, which consisted of 13 Hong Kong based projects and three Macau based projects. As at the Latest Practicable Date, the awarded contract sum for the contracts on hand (including contracts in progress and contracts of which our work has yet to commence) amounted to approximately HK\$1,348.6 million. Furthermore, from time to time our Group is also engaged in the business of leasing machinery and equipment.

During the Track Record Period, our Group derived revenue of approximately HK\$98.4 million, HK\$375.1 million and HK\$492.7 million respectively from our foundation works and ancillary services.

Our Group provides foundation works and ancillary services to both the private sector and public sector. Our Group classifies public sector contracts as contracts in which the ultimate employer is a government department, statutory body or related organisation, or institutional body. During the Track Record Period, our Group generated approximately 5.4%, 98.7% and 100.0% of our revenue from foundation works and ancillary services in the private sector, respectively, with the remaining revenue of approximately 94.6%, 1.3% and nil from foundation works and ancillary services in the public sector, respectively.

Save for the hotel development project in Central, details of which are set out under the paragraph headed “Business – Foundation works and ancillary services projects” in this prospectus, the duration of our Group’s projects completed during the Track Record Period ranged from six months to 12 months, depending on the size of the contract and the complexity of the works undertaken by our Group.

BUSINESS

Our Group relies on the use of machinery and equipment to enable us to carry out our foundation works and ancillary services. As at 31 March 2014, the aggregate net book value of our machinery and equipment recorded on the combined balance sheets of our Group totalled approximately HK\$397.8 million. During the Track Record Period, our Group acquired machinery and equipment of approximately HK\$9.8 million, HK\$119.6 million and HK\$95.2 million, respectively.

According to the Ipsos Report, the Government has set out a five-year plan to accommodate the expected increase in population in Hong Kong, together with the “Ten Major Infrastructure Projects”, commissioned by the Government, will continue to be a driver of growth in the foundation industry in Hong Kong. We also noted from the Ipsos Report that the level of construction activities in Macau are similarly driven by the investment in infrastructure and demand for residential accommodation as well as private projects in Macau, such as casino and hotel development projects. Please refer to the section headed “Industry Overview” in this prospectus for further details.

Our Directors expect the number of foundation works and ancillary services related projects based in Hong Kong and Macau will increase. To the extent that our Group is successful in securing these contracts, our business should grow accordingly.

COMPETITIVE STRENGTHS

Our Directors believe the following competitive strengths enable our Group to compete effectively in the foundation industry in Hong Kong and Macau:

We are an established foundation works contractor

Our Group has over 20 years of experience in the Hong Kong foundation industry. Our Directors believe that our Group has a good reputation within the foundation industry and always strives to complete our jobs on time and to the satisfaction of our customers. SW Bore Pile received a letter of appreciation from the MTR Corporation Limited in January 2012 after the completion of the Express rail link project 2. Since the commencement of the Track Record Period and up to the Latest Practicable Date, we have been awarded and/or undertaken a total of 16 projects involving foundation works and ancillary services, which consisted of 13 Hong Kong based projects and three Macau based projects.

We have an experienced management team

Besides Mr. Lau, the Chairman of our Group, who has been responsible for building our Group’s business in the foundation industry, our Group also employs a management team with members having over 20 years of experience and expertise in the foundation industry. Members of our executive Board have on average served our Group for approximately 20 years.

Our senior management has a thorough understanding and knowledge of the geological conditions of Hong Kong and the necessary capabilities to produce effective and efficient construction methods for foundation works in different ground conditions.

With the depth of the experience of the management team and its enthusiasm for the industry, our Directors consider that our Group has achieved notable success and developed a professional reputation in the foundation industry. Our Directors believe that our skilled employees are valuable assets to our Group.

BUSINESS

Our Directors are confident that our Group's strengths will enable us to remain competitive and well positioned not only in competing for and securing contracts in the future, but also to be effective and reliable in its execution of foundation works and ancillary services.

We have a broad range of machinery and equipment to carry out foundation works and ancillary services and the ability to modify these machinery and equipment, where required

Our Group owns a broad range of machinery and equipment to carry out foundation works and ancillary services. As at 31 March 2014, our machinery and equipment had an aggregate net book value of approximately HK\$397.8 million. This fleet of machinery and equipment mainly consisted of crawler cranes, oscillators, rotators, reverse circulation drills, boring rigs and down-the-hole hammers, and air compressors of a large variety of size or capacity. Please refer to the paragraph headed "Business – Machinery and equipment to carry out foundation works and ancillary services" in this prospectus for further details.

Our Directors believe that our Group's ongoing investment in machinery and equipment will enable us to access and deploy more machinery and equipment to our projects, which in turn would improve our project execution effectiveness and efficiency. Our Directors also believe that our readily deployable broad range of machinery and equipment, coupled with our capability to modify machinery and equipment to enhance their functionality, where required, in adapting to the specific requirements of the individual projects, would enhance our ability to compete for and carry out sizeable and technically complicated foundation works and ancillary services projects, such as those involving complex sub-soil condition. Our Group also has the flexibility to execute projects involving the construction of a broad range of large diameter bored piles and rock socketed H-piles.

Given our broad range of machinery and equipment and our ability to modify them to enhance their functionality to suit our required needs, where required, we have limited our need to lease machinery and equipment from external parties, which in turn minimised our costs and reliance on external parties in this respect.

We have an experienced in-house maintenance team

As at the Latest Practicable Date, our Group had a maintenance team of 27 staff members with relevant skills to ensure that our Group is able to respond to and handle any breakdown of machinery and equipment and to effect appropriate modifications necessary to meet contract requirements. Please refer to the paragraph headed "Business – Machinery and equipment to carry out foundation works and ancillary services" in this prospectus for further details.

We possess patented techniques

We have patented our technical developments and findings. In 2002, the patent "Water-absent Concreting Apparatus and its Method" developed by Mr. Lau with the support of his technical team was granted. More recently in 2010, Worldwide Profit patented the "Concreting Equipment and Method Thereof" developed by Mr. Lau. Subsequently on 25 July 2012, such patent was assigned to SW Foundation Group, an indirect wholly-owned subsidiary of the Company. Our Directors believe that these methods can ensure that our Group's products and work quality are consistently maintained. Please refer to the paragraphs headed "Business – Technical developments" and "Business – Concreting Equipment and Method Thereof and Concreting Apparatus and its Method" for further details.

BUSINESS

BUSINESS OVERVIEW

Foundation works and ancillary services

The following table sets out a breakdown of our Group's revenue by geographic locations during the Track Record Period:

Revenue (Note 1):	For the year ended 31 March					
	2012	2013		2014		
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Foundation works and ancillary services						
– Hong Kong	98,428	100.0	334,807	89.2	37,335	7.6
– Macau (Note 2)	–	–	40,340	10.8	455,399	92.4
	<u>98,428</u>	<u>100.0</u>	<u>375,147</u>	<u>100.0</u>	<u>492,734</u>	<u>100.0</u>

Notes:

- (1) Revenue from foundation works and ancillary services is recognised based on the stage of completion of the contracts. The stage of completion is measured by reference to the work performed to date as a percentage of total contract value.
- (2) Revenue derived from foundation works and ancillary services projects based in Macau during the Track Record Period was primarily related to the Hotel Tower Project. Our Group derived revenue of approximately HK\$40.3 million and HK\$434.6 million from the Hotel Tower Project for the two years ended 31 March 2014, respectively.

The following table sets out the revenue, gross profit and gross profit margin derived by our Group from the Hotel Tower Project and other projects of our Group respectively:

Project	Revenue recorded during the Track Record Period HK\$'000	Gross profit of project(s) during the Track Record Period HK\$'000	Gross profit margin of project(s) during the Track Record Period %
Hotel Tower Project	474,921	176,452	37.2
Other projects (Note)	491,388	124,464	25.3
Total	<u>966,309</u>	<u>300,916</u>	<u>31.1</u>

Note: The revenue and gross profit of other projects include all projects, save for the Hotel Tower Project, undertaken by our Group during the Track Record Period as well as those derived from the Previous Projects during the Track Record Period.

Historically and up until the year ended 31 March 2012, our Group undertook foundation works and ancillary services for construction projects in Hong Kong only. Subsequently in December 2012, our Group entered into the Macau construction market and was awarded a contract for foundation works and ancillary services based in Macau (namely the Hotel Tower Project). The Hotel Tower Project was the first project based in Macau undertaken by our Group and was successfully completed during the Track Record Period.

During the Track Record Period, our Group has undertaken and/or has been engaged to undertake (i) foundation works, including the construction of bored piles, rock socketed H-piles and excavation and lateral support works; and (ii) ancillary services, including site investigation and removal of installed piles.

BUSINESS

Foundation works and ancillary services projects

Our Group has undertaken foundation works and ancillary services in the public and private sectors during the Track Record Period. The details of these projects are set out below:

Contracts in respect of which our foundation works and ancillary services were completed during the Track Record Period

Foundation works and ancillary services project	Location	Category	Role	Types of work	Period (Note 1) (approx. number of months)	Type of contract (Design & Build/Build)	Contract sum (approx. HK\$M) (Note 2)	Revenue recognised during the Track Record Period (approx. HK\$M)	Principal machinery deployed
Design and construction of foundation system for hotel development	Central	Private	Main contractor (Note 5)	bored piles	July 2009 to September 2013 (51 months) (Note 6)	Design and build	32.0 (Note 7)	5.9 (Note 7)	Crawler cranes, oscillators, reverse circulation drills and air compressors
Express rail link project 1	Yuen Long	Public	Subcontractor	bored piles	January 2011 to November 2011 (11 months)	Build only	42.3	37.9	Crawler cranes, oscillators, rotators, reverse circulation drills and air compressors
Express rail link project 2	Lai Chi Kok	Public	Subcontractor	removal of installed piles	July 2011 to December 2011 (6 months)	n/a	23.0	27.2	Crawler cranes, oscillators and rotators
Road improvement and extension	Yuen Long	Public	Sub-subcontractor	lateral support works	October 2011 to September 2012 (12 months)	Build only	21.6	15.4 (Note 3)	Crawler cranes
Redevelopment project	Causeway Bay	Private	Subcontractor	bored piles	March 2012 to September 2012 (7 months)	Build only	12.9	12.7	Crawler cranes, oscillators, reverse circulation drills and air compressors
Logistics centre	Tsing Yi	Private	Subcontractor	bored piles	February 2012 to January 2013 (12 months)	Build only	148.7	149.5	Crawler cranes, oscillators, reverse circulation drills and air compressors
Foundation work and basement excavation	Wong Tai Sin	Private	Main contractor	bored piles, and pre-bored socketed H-piles	April 2012 to February 2013 (11 months)	Build only	161.4 (Note 4)	162.2	Crawler cranes, oscillators, reverse circulation drills, boring rigs and down-the-hole hammers, and air compressors
Large diameter bored piles installation works	Cheung Sha Wan	Private	Sub-subcontractor	bored piles	January 2013 to June 2013 (6 months)	Build only	4.2	4.2	Crawler cranes, oscillators, reverse circulation drills and air compressors
Hotel tower bored piling works (i.e. the Hotel Tower Project)	Cotai, Macau	Private	Main contractor (Note 5)	bored piles	January 2013 to December 2013 (12 months) (Note 8)	Build only	537.3 (MOP 553.9) (Note 9)	474.9	Crawler cranes, oscillators, reverse circulation drills and air compressors
New building bored piling works	Kowloon City	Private	Subcontractor	bored piles	January 2013 to June 2013 (6 months)	Build only	9.7	8.5	Crawler cranes, oscillators, reverse circulation drills and air compressors
Residential building bored piling works	Kowloon City	Private	Subcontractor	bored piles	April 2013 to February 2014 (11 months)	Build only	16.3	17.3	Crawler cranes, oscillators, reverse circulation drills and air compressors
							1,009.4	915.7	

BUSINESS

Notes:

- (1) The period covers the respective month in which our works commenced and were completed based on the payment certificate issued by our customers or authorised persons employed by our customers or the submission of payment application of the relevant project by our Group.
- (2) Contract sum excludes all contingent and/or provisional contract amounts set out in the respective contracts, if any. A provisional sum is a sum of money provided in the contract bills by the employer for costs which cannot be entirely foreseen, defined or detailed at the time the tendering documents are issued. A contingency sum is an amount of money set aside by the employer to cover additional costs incurred for unforeseen works.
- (3) The ultimate employer changed the foundation design during the course of our engagement which reduced the scope of our foundation works and ancillary services. Accordingly, our revenue derived from this project was reduced.
- (4) This project involves a number of phases which is at the discretion of the customer to proceed. The contract sum represents the contract value of the completed phase of this project.
- (5) Our Group was engaged as a main contractor for the foundation works and ancillary services under this project.
- (6) Our Group was engaged in prolonged negotiation with our customer in respect of the foundation design of this project, thus the long duration of this project.
- (7) The original contract sum (excluding provisional contract sum) based on the letter of acceptance is HK\$32.0 million and there is a provisional sum of another HK\$1.0 million for contingencies. Our customer and our Group agreed in September 2013 that the pile cap works and all associated excavation and lateral support system shall be excluded from the original scope of our main contract and the final contract sum shall be approximately HK\$22.0 million.
- (8) Prior to the approval of the registration of SW Foundation (Macau) by the DSSOPT in February 2013, our Group engaged subcontractors to perform pre-drilling works for the Hotel Tower Project.
- (9) The original contract sum was approximately MOP693.9 million (equivalent to approximately HK\$673.1 million), which included a provisional contract sum of MOP140.0 million (equivalent to approximately HK\$135.8 million) related to the bored piling works at an extension area of the project site. As such, the contract sum excluding the contingent and/or provisional contract amount was approximately MOP553.9 million (equivalent to approximately HK\$537.3 million). Subsequent to our appointment as the main contractor for the foundation works and ancillary project in respect of the Hotel Tower Project but prior to our commencement of foundation works, the ultimate employer of this project altered the foundation design, which changed the scope of our foundation works and ancillary services. As such, our revenue derived from this project was reduced.

Save for the hotel development project in Central, details of which are set out under paragraph headed “Business – Foundation works and ancillary services projects” in this prospectus above, the duration of our Group’s foundation works and ancillary services projects completed during the Track Record Period ranged from six months to 12 months.

Contracts on hand

As at the Latest Practicable Date, the awarded contract sum for the contracts on hand (including contracts in progress and contracts of which our work has yet to commence) amounted to approximately HK\$1,348.6 million.

Based on our unaudited management accounts for the four months ended 31 July 2014, the unaudited monthly average revenue was higher than the monthly average revenue for the year ended 31 March 2014, which was mainly due to revenue derived in April, May, June and July 2014 from the multi-storey logistics centre project at Tsing Yi and the Hotel Casino Project. The aggregate contract sum (excluding contingent and provisional contract amounts) of these two projects amounted to approximately HK\$646.8 million.

BUSINESS

The following table sets forth our Group's contracts on hand as at the Latest Practicable Date:

Project	Location	Category	Role	Types of work	Estimated duration (Note 1) (approx. number of months)	Value of work	Percentage of	Type of contract	Contract sum (Note 3) (approx. HK\$M)	Outstanding contract sum as of the Latest Practicable Date (Note 3) (approx. HK\$M)
						certified and recognised as revenue up to the Latest Practicable Date (Note 2) (approx. HK\$M)	work certified as at the Latest Practicable Date (Note 2)			
Composite Development Project	Novos Aterros da Areia Preta, Macau	Private	Subcontractor	bored piles	commenced work in February 2014 and the estimated completion date is to be determined (Note 4)	0.8	0.2%	Build only	462.8 (MOP 477.1) (Note 5)	462.0
Multi-storey logistics centre	Tsing Yi	Private	Main contractor	bored piles, pile cap and lateral support works	February 2014 to October 2014 (9 months)	200.0	68.3%	Design and build	292.7	92.7
Hotel Casino Project	Cotai, Macau	Private	Sub-contractor	bored piles	February 2014 to December 2014 (10 months)	239.8	67.7%	Build only	354.1 (MOP365.0)	114.3
Shatin to Central rail link project	Diamond Hill	Public	Subcontractor	bored piles	May 2014 to December 2014 (8 months)	36.6	63.1%	Build only	58.0	21.4
Hong Kong boundary crossing facilities	Lantau Island	Public	Subcontractor	bored piles	August 2014 to April 2015 (9 months)	nil	nil	Build only	181.0	181.0
									<u>1,348.6</u>	<u>871.4</u>

Notes:

- (1) The commencement of estimated duration of the respective projects are based on letter of award, payment or valuation certificate issued by authorised persons employed by our customers.
- (2) As set out in the Accountant's Report in Appendix I, our Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

The work performed to date as a percentage of total contract value is based on the certificates issued by our customer on the respective projects. It represents the amount of works certified as a percentage of the original contract sum. However, due to the timing difference between the monthly cut-off date of payment applications of the contracts on hand and the certification of our works by our customers or authorised persons employed by our customers, revenue recognised up to the Latest Practicable Date only include our work which have been certified.
- (3) Contract sum and outstanding contract sum as at the Latest Practicable Date exclude all contingent and/or provisional contract amounts set out in the respective contracts, if any. A provisional sum is a sum of money provided in the contract bills by the employer for costs which cannot be entirely foreseen, defined or detailed at the time the tendering documents are issued. A contingency sum is an amount of money set aside by the employer to cover additional costs incurred for unforeseen works.
- (4) In June 2014, our Group and the main contractor of the Composite Development Project mutually agreed that the completion date for our foundation works and ancillary services under the Composite Development Project contract is subject to the granting of (i) the construction licence for the Composite Development Project by the Macau Government; and (ii) quotas for non-Macau resident construction workers by the Human Resources Office of the Macau Government to the ultimate employer. In August 2014, the construction licence for the Composite Development Project was granted by the Macau Government. However, the Human Resources Office of the Macau Government has yet to grant quotas for non-Macau resident construction workers for the Composite Development Project as at the Latest Practicable Date.
- (5) The relevant foundation works and ancillary services for the Composite Development Project were divided into two phases. Phase 1 of the Composite Development Project has been awarded to our Group and the main contractor of the Composite Development Project has the option to award our Group with Phase 2 of the Composite Development Project on or before two months after the commencement of our piling works. The contract sum (excluding contingencies) for Phase 1 is approximately MOP477.1 million (equivalent to approximately HK\$462.8 million) and related contingencies for Phase 1 has been set at MOP65.0 million (equivalent to approximately HK\$63.1 million). The contract sum (excluding contingencies) for Phase 2 is approximately MOP429.6 million (equivalent to approximately HK\$416.7 million) and related contingencies for Phase 2 has been set at MOP55.0 million (equivalent to approximately HK\$53.4 million). For the status of the Composite Development Project, please refer to the paragraph headed "Business - The Composite Development Project" in this prospectus below.

BUSINESS

Having considered (i) the capacity of our existing fleet of machinery and equipment to carry out foundation works and ancillary services, which our Directors believe are sufficient to complete our contracts on hand; (ii) our ability, where necessary to sub-contract part of our preparation work, such as pre-drilling and steel fixing works to our approved subcontractors; and (iii) our plan to recruit local workers in respect of our projects in Macau and to deploy certain workers and professional staff from Hong Kong to Macau, our Directors take the view that our Group has sufficient capacity to complete all contracts on hand. For further details on each of the contracts on hand, please refer to the paragraphs headed “Business – Continue to expand our business operations in Hong Kong “ and “Business - Continue to expand our business operations in Macau” set out in this prospectus below, respectively.

BUSINESS STRATEGIES

Continue to enhance our competitiveness in the foundation industry

Our long history of operation and experience together with our broad range of machinery and equipment allow our Group to effectively compete for and secure contracts for foundation works and ancillary services projects. Our ability to compete, together with our project management skills and expertise, are the main contributors to our ongoing growth and future profitability. We shall continue to build our track record and reputation in the foundation industry by securing and completing projects on time and to the satisfaction of our customers. In addition, our Group shall continue to enhance our cost control and operational efficiency by following the controls and procedures relating to our material procurement and subcontractors engagement, which allow us to obtain competitive offers and maintain a stringent standard in the selection of our suppliers and subcontractors.

Compete for sizeable (i.e. projects with a contract sum of no less than HK\$100 million) and profitable foundation works and ancillary services projects

Foundation works and ancillary services projects, regardless of their size and complexity, require the involvement and expertise of our Directors and senior management at various stages of the project, such as identify potential projects, submission of tender and quotation related procedures, project planning and administration, and project implementation. In addition, our capacity to carry out foundation works and ancillary services for our customers also depends on the availability of our machinery and equipment. Accordingly, the number of foundation works and ancillary services projects that can be executed by our Group simultaneously at any given time is limited by our resources including the capacity of our machinery and equipment. Thus, our Directors believe that our Group should focus on deploying our resources towards competing for sizeable and profitable foundation works and ancillary services contracts in both Hong Kong and Macau. Nonetheless, our Directors will also consider competing for and taking on smaller contracts under circumstances where (i) our Group has unutilised capacity and resources; (ii) the estimated gross profit margin is attractive to our Group; and (iii) the execution of such contracts will not impair the ability of our Group to execute awarded or potential contracts which our Group has tendered or provided quotation for.

BUSINESS

Maintain an acceptable profit margin in our tenders and quotations

Our Directors believe that our ability to secure contracts primarily depends on the availability of the requisite machinery and equipment, our competitiveness in price, our experience and past job references.

In deciding whether to submit a tender or quotation and in preparing a competitive tender or quotation, we consider various factors, including the type of foundation works, the location of the works, site conditions, price of construction materials, labour, duration, counterparty risks and availability of machinery and equipment.

Subject to the scope, complexity, duration, particular specifications of the project and the prevailing market conditions, our profit margin incorporated into each of our tenders or quotations may vary from project to project. However, in the event that the foundation industry experiences a downturn and the competition for price intensifies, our tenders or quotations may become less competitive compared to tenders or quotations provided by other contractors. In the event that another contractor offers a more competitive price than our tendered price or quotation for the same contract, such contract may be awarded to another contractor. Further details of risks of our business are set out in the section headed “Risk Factors” in this prospectus.

Continue to expand our business operations in Hong Kong

As at the Latest Practicable Date, our Group has three contracts on hand which are related to projects based in Hong Kong, namely (i) the multi-storey logistics centre at Tsing Yi; (ii) the Shatin to Central rail link project; and (iii) the Hong Kong boundary crossing facilities. Details of which are set out below:

(i) Multi-storey logistics centre at Tsing Yi

In February 2014, our Group was awarded the foundation works and ancillary services contract for the multi-storey logistics centre project with a contract sum of approximately HK\$292.7 million (without taking into account any contingent and/or provisional contract amounts) and commenced our work in the same month.

Our scope of works under the multi-storey logistics centre project includes the construction of bored piles and pile cap as well as lateral support works. Our Group has deployed machinery and equipment including crawler cranes, oscillators, reverse circulation drills and air compressors to carry out the related foundation works and ancillary services.

Based on payment certificate issued to our Group, we have recorded revenue of approximately HK\$12.2 million during the Track Record Period. Based on the progress of the multi-storey logistics centre project as at the Latest Practicable Date, barring any unforeseen circumstances, our Directors anticipate that the remaining contract sum of approximately HK\$280.5 million (without taking into account any contingent and/or provisional contract amounts) will be recognised as revenue by our Group during the year ending 31 March 2015.

BUSINESS

(ii) Shatin to Central rail link project

In April 2014, our Group was awarded the foundation works and ancillary services contract for the Shatin to Central rail link project with a contract sum of approximately HK\$58.0 million (without taking into account any contingent and/or provisional contract amounts), and we commenced our works in May 2014.

Our scope of works under the Shatin to Central rail link project primarily involved the construction of bored piles. Our Group has deployed machinery and equipment including crawler cranes, oscillators, reverse circulation drills and air compressors to carry out the related foundation works and ancillary services.

Based on the progress of the Shatin to Central rail link project as at the Latest Practicable Date, barring any unforeseen circumstances, our Directors anticipate that the entire contract sum of approximately HK\$58.0 million (without taking into account any contingent and/or provisional contract amounts) will be recognised as revenue by our Group during the year ending 31 March 2015.

(iii) Hong Kong boundary crossing facilities

In May 2014, our Group was awarded the foundation works and ancillary services contract for the Hong Kong boundary crossing facilities project with a contract sum of approximately HK\$181.0 million (without taking into account any contingent and/or provisional contract amounts), and we commenced our works around September 2014.

Our scope of works under the Hong Kong boundary crossing facilities project mainly involved the construction of bored piles. Our Group intends to deploy machinery and equipment including crawler cranes, oscillators, reverse circulation drills and air compressors to carry out the related foundation works and ancillary services.

Based on the current timeframe of the Hong Kong boundary crossing facilities project as at the Latest Practicable Date, barring any unforeseen circumstances, our Directors anticipate that substantial portion of the contract sum of approximately HK\$181.0 million (without taking into account any contingent and/or provisional contract amounts) will be recognised as revenue by our Group during the year ending 31 March 2015.

For details relating to the project administration and project implementation of the aforesaid Hong Kong based foundation works and ancillary services projects, please refer to the paragraphs headed “Business – Project planning and administration” and “Business – Project implementation” in this prospectus.

Continue to expand our business operations in Macau

Our Group was awarded the contract for the Hotel Tower Project in December 2012 and the practical completion took place in December 2013. The Hotel Tower Project was the first project based in Macau undertaken by our Group and was successfully completed during the Track Record Period. Subsequently, our Group was awarded two additional contracts in Macau, namely (i) the Composite Development Project; and (ii) the Hotel Casino Project.

BUSINESS

Based on our knowledge accumulated from foundation works and ancillary services projects in Macau undertaken by our Group, our Directors believe that our Group has gained the experience and possesses the necessary resources and technical ability to compete for future foundation works and ancillary services contracts in Macau.

As at the Latest Practicable Date, in respect of contracts on hand, our Group has two foundation works and ancillary services projects based in Macau:

(i) *The Hotel Casino Project*

Our Group commenced foundation works and ancillary services for the Hotel Casino Project in February 2014 with an understanding between us and our customer on the scope of work and contract sum, which was subsequently agreed in writing in March 2014. The contract sum of the Hotel Casino Project is approximately HK\$354.1 million (without taking into account any contingent and/or provisional contract amounts).

Our scope of works in respect of the Hotel Casino Project includes pre-drilling, construction of bored piles and testing of the bored piles.

Similar to other foundation works and ancillary services projects undertaken to our Group, prior to submission of our tender for the Hotel Casino Project, we reviewed the site investigation report to understand the geology and underground physical properties of the work site. In addition, our Group engaged subcontractors to undertake pre-drilling work prior to the commencement of our piling work which enabled us to assess the sub-soil condition and the suitability of the type and extent of the piles to be constructed for the superstructure to be developed as well as to identify and resolve any technical issues in advance.

Our Group financed the requisite working capital for the Hotel Casino Project through a combination of external bank borrowings and internal resources.

Based on payment certificates issued to our Group, we have recorded revenue of approximately HK\$20.0 million during the Track Record Period. Based on the progress of the Hotel Casino Project as at the Latest Practicable Date, barring any unforeseen circumstances, our Directors anticipate that the remaining contract sum of approximately HK\$334.1 million (without taking into account any contingent or provisional contract amounts) will be recognised as revenue by our Group during the year ending 31 March 2015.

In connection with the Hotel Casino Project, our Group deployed a range of our machinery and equipment in Macau including crawler cranes, oscillators and reverse circulation drills.

For details relating to the procurement of subcontractors, construction materials and other aspects of project administration and project implementation of the Hotel Casino Project, please refer to the paragraphs headed “Business – Project planning and administration” and “Business – Project implementation” in this prospectus below. For details in respect of the staffing arrangement of the Hotel Casino Project, please refer to the paragraph headed “Business – Employees” in this prospectus below.

BUSINESS

(ii) *The Composite Development Project*

Pursuant to the letter of acceptance of tender issued by the main contractor of the Composite Development Project in January 2014, our Group was awarded with the foundation works and ancillary services contract for the Composite Development Project with a contract sum of approximately HK\$462.8 million (without taking into account any contingent and/or provisional contract amounts), the original estimated completion of which was in or around January 2015 (the “**Letter of Acceptance**”). Our Company anticipates to enter into the formal contract for the Composite Development Project (the “**Formal Contract**”) in or around the first quarter of 2015. Notwithstanding the above, the Letter of Acceptance is legally binding on us and the main contractor of the Composite Development Project.

As part of our preparation work for the Composite Development Project, our Group has engaged subcontractors to perform pre-drilling works on the relevant work site since February 2014. As the aforementioned pre-drilling works, which relate to site investigation, do not constitute construction works under article 2 of the Macau General Construction Works Regulation, no construction licence is required to carry out such pre-drilling works. The Macau Legal Adviser is of the view that such pre-drilling works for the Composite Development Project are in compliance with the relevant Macau regulations, namely the Macau General Construction Works Regulation. Based on payment certificates issued to our Group, we recorded revenue of approximately HK\$0.8 million during the Track Record Period.

The relevant foundation works and ancillary services for the Composite Development Project were divided into two phases. Phase 1 of the Composite Development Project has been awarded to our Group. Furthermore, the main contractor of the Composite Development Project has an option to award our Group with Phase 2 of the Composite Development Project on or before two months after the commencement of our piling works. As at the Latest Practicable Date, the aforesaid option has not been exercised by the main contractor of the Composite Development Project.

In June 2014, our Group and the main contractor of the Composite Development Project mutually agreed that the completion date for our foundation works and ancillary services under Phase 1 of the Composite Development Project contract was subject to the granting of (i) the construction licence for the Composite Development Project by the Macau Government; and (ii) quotas for non-Macau resident construction workers by the Human Resources Office of the Macau Government to the ultimate employer.

In August 2014, the construction licence for the Composite Development Project was granted by the Macau Government. Subsequently, the main contractor of the Composite Development Project issued a letter to us in August 2014 stating that (i) it has submitted the application for the quotas for non-Macau resident construction workers to the Human Resources Office of the Macau Government; and (ii) it expects the quotas for non-Macau resident construction workers to be granted by the Human Resources Office of the Macau Government in or around two months from the date of application (i.e. in or around October 2014). After enquiry with the main contractor, our Directors note that the main contractor’s confirmation was based on its knowledge and past experiences in the construction industry in Macau. As at the Latest Practicable Date, the Human Resources Office of the Macau Government has yet to grant quotas for non-Macau resident construction workers for the Composite Development Project. In light of the above, the Composite Development Project was delayed.

Up to and including the Latest Practicable Date, in absence of the requisite quotas for non-Macau resident construction workers, our Group has not carried out construction work on the work site of Phase 1 of the Composite Development Project.

Notwithstanding the main contractor’s expected timing of the grant of the quotas for non-Macau resident construction workers, the exact timing of such grant is subject to the Human Resources Office of the Macau Government. As such, we are unable to reliably estimate the revenue to be derived from the Composite Development Project for the year ending 31 March 2015. Based on information available as at the Latest Practicable Date, in assessing the total estimated construction costs of the Composite Development Project, we have considered factors such as the period of delay, the prevailing rates of the material costs to be incurred in connection with the Composite Development Project, including concrete, steel, other cost of sales, staff costs and sub-

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contracting charges. The prevailing price of steel has decreased since the original budget, however such savings are expected to be partially offset by the estimated increase in concrete, staff costs and subcontracting charges. Save for the aforesaid costs, the prevailing rates of other cost of sales in the original budget have also been assessed by our Company and no material changes to such prevailing prices are expected. Based on our costs assessment, without taking into consideration of any extra remuneration of which our Group shall be entitled to for additional costs incurred (if any) as a result of the aforesaid delay and barring unforeseen circumstances, our Directors are of the view that the total estimated construction costs of the Composite Development Project are not expected to exceed materially from the original estimation by our Company. In light of the above, our Directors did not expect a material adverse impact on the gross profit margin of the Composite Development Project. Notwithstanding the above, our Company is entitled to claim for additional costs incurred as a result of delay attributable to the main contractor where such additional costs and / or works constitute variation order to the contracted work carried out by our Company, under the Standard Conditions (defined hereafter).

As at the Latest Practicable Date, the Composite Development Project, excluding Phase 2, is our largest contract on hand by contract sum. Our foundation works and ancillary services under the scope of Phase 1 of the Composite Development Project included site clearance, construction of piles, demolition or removal of underground structure. Our Group intends to deploy machinery and equipment including crawler cranes, oscillators, reverse circulation drills and air compressors to carry out the related foundation works and ancillary services.

According to the Letter of Acceptance, the build agreement for the Composite Development Project shall, inter alia, consist of (i) the Formal Contract; (ii) the Letter of Acceptance; (iii) post-tender correspondences between the employer and us; (iv) special conditions and general conditions to the Formal Contract; (v) tender and appendices; (vi) bills of quantities; (vii) tender price summary; (viii) contract drawings and list of drawings; and (ix) tender guide and appendices.

Following the issue of the Letter of Acceptance to us in January 2014, we have not yet entered into the Formal Contract with the employer or the main contractor as at the Latest Practicable Date. Notwithstanding that, based on our tender document, the Formal Contract shall contain the standard conditions of contract in the standard form of contract building together with its appendices issued under the sanction of the Hong Kong Institute of Architects, the Royal Institution of Chartered Surveyors (Hong Kong Branch) and the Society of Builders, Hong Kong (the “**Standard Conditions**”). These Standard Conditions are in line with those terms disclosed in the paragraphs headed “Business – Operational Procedures – Tender and quotation related procedure – Common terms of our foundation works and ancillary service contracts” in this prospectus.

When we submit our tender for the Composite Development Project, we have modified these Standard Conditions and added a number of special conditions (the “**Special Conditions**”) on top of these Standard Conditions. According to the Letter of Acceptance, the Special Conditions shall form a part of the Formal Contract. We set out herein below certain key Special Conditions, which shall be included in the Formal Contract:

Safety	We shall be responsible for the stability and safety of all operations on the site in relation thereto.
Third Party Insurance	We shall maintain such insurances as are necessary to cover the liabilities of the employer, our mortgagee, the main contractor and any subcontractors from the commencement of the contract until expiration of the defect liability period or issuance of the certificate of completion of making good defects, whichever is the latter.

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Defect Liability

We shall carry out maintenance works after practical completion of the project as directed by the architect of the project, failing which the employer will employ other persons to carry out the works. Any costs incurred in making good the defects plus 10% administrative charge will be recovered from us.

The architect will not issue a final certificate for payment and release the retention monies to us until all defects have been made good.

Damages for non-completion

The architect will review the reasons resulting in any delay in completion or even non-completion of the project, and decide if we will be entitled to any extension of time for completion.

It is only until the architect has estimated the length of our portion of the overall delay to completion of the works and has certified such length of portion would our Group be relieved of obligation to pay the liquidated damages to the employer.

Extension of time

The Special Conditions contain a number of grounds which would entitle us to claim an extension of time from the employer. If we are granted an extension of time, we will not have to pay any liquidated damages to the employer for the delay in completion.

The grounds for extension of time mainly include an instruction issued by the architect, issue of variation orders opening up for inspection of any work covered up or of the testing of any work, materials or goods in accordance with the conditions set out in the Formal Contract, not having received necessary instructions, drawings or other details from the employer/the architect, the architect having suspended the work, loss or damages occasioned by earthquake, fire or aircraft etc., any act of prevention by the employer, force majeure, and any utility undertaking or authority failing to commence or to carry out any work directly affecting the execution of the piling works to be undertaken by us. For the avoidance of doubt, inclement weather and typhoons are not regarded as grounds for extension of time.

To claim an extension of time, it is provided that we shall notify the architect as soon as practicable when the cause for delay has become apparent.

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Keep abreast of developments in the construction industry of Hong Kong and Macau

Our Directors will continue to keep abreast of the development of foundation works and ancillary services contracts and opportunities in Hong Kong, particularly those tenders related to the scheduled “Ten Major Infrastructure Projects”. Our Directors believe that our Group is well positioned to secure contracts for part of the foundation works and ancillary services available under those construction projects. As at the Latest Practicable Date, our Group has submitted tenders/quotation for (a) four public foundation works and ancillary services contracts related to (i) the Liantong / Heung Yuen Wai boundary control point project; (ii) the Hong Kong-Zhuhai-Macau bridge – Hong Kong boundary crossing facilities project; (iii) the M+ Museum project at West Kowloon cultural district; and (iv) foundation and pile cap works for a subsidized sale project in Shatin, and (b) one private foundation works and ancillary services contract related to a redevelopment project in Wan Chai, all of which are projects based in Hong Kong. The announcement of the results for each of the aforesaid tenders/quotation, subject to the relevant approval(s) and funding being granted as scheduled (where applicable) and barring unforeseen circumstances, is expected to be in or around the first quarter of 2015, the second quarter of 2015, the fourth quarter of 2014, the fourth quarter of 2014 and the fourth quarter of 2014, respectively.

In addition, we have been invited to tender and provide quotation for foundation and pile cap works for a logistics centre development in Tsing Yi, being a private sector contract. As at the Latest Practicable Date, we are in the process of preparing the relevant documents for the abovementioned tender/quotation and expect to submit such tender/quotation on or before end of September 2014.

The foundation works and ancillary services under each of the abovementioned tenders/quotations is primarily related to the construction of bored piles. Our Directors believe that our Group possesses both the expertise and the requisite machinery and equipment to carry out the related foundation works under the aforesaid submitted tenders set out above. As set out in the table below, our success rates for tenders and quotations submitted were approximately 17.9%, 22.2% and 13.2% for the three years ended 31 March 2012, 2013 and 2014 respectively.

For the year ended	No. of tenders/ quotations submitted	No. of tenders/ quotations won	Success rates for tenders/ quotations
31 March 2014	38	5	13.2%
31 March 2013	18	4	22.2%
31 March 2012	28	5	17.9%

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In addition to the abovementioned tenders, with the expected increase in expenditure by the Government on public works projects in Hong Kong and the fact that through SW Bore Pile, a principal operating subsidiary, our Group is (i) an approved supplier of materials and specialist contractor for public works – land piling (Group II), large diameter bored pile (with bell-out) with the Development Bureau; (ii) a piling contractor under the large diameter bored piling category with the Housing Authority; and (iii) a registered specialist contractor under the foundation works category with the Buildings Department, our Directors believe there will be opportunities for our Group to tender and be awarded additional contracts in the public sector in Hong Kong. Furthermore, our Group will also monitor opportunities in the private sector in Hong Kong.

Our Directors are of the view that our involvement in the Hotel Tower Project and the award of contract for the Composite Development Project and the Hotel Casino Project has enhanced our Group's profile as a capable and experienced foundation works and ancillary services provider in Macau. Going forward, our Group will continue to compete for commercially viable foundation works and ancillary services contracts based in Macau.

As set out under paragraph headed "Business – Compete for sizeable (i.e. projects with a contract sum of no less than HK\$100 million) and profitable foundation works and ancillary services projects" in this prospectus, the number of foundation works and ancillary services projects that can be executed by our Group simultaneously at any given time is limited by our resources including the capacity of our machinery and equipment. Thus, it is our Group's strategy to primarily focus on deploying our resources towards competing for sizeable and profitable foundation works and ancillary services contracts in both Hong Kong and Macau.

Our tenders or quotations are based on our estimates and available information, taking into consideration the deployment of our resources including our machinery and equipment to carry out foundation works and ancillary services, the relevant construction materials and labour costs, as well as the complexity and length of the relevant projects. Generally, our Company will be more prudent in our estimation of costs and time in larger and technically more complex projects. This prudent approach in our costs estimation may cause our tender price/quotation to be less competitive than other submitted tender(s)/quotation(s) in cases where our Group was not awarded with the contract, as such the tender success rate was low during the Track Record Period.

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Plans to grow our business

We also intend to implement the following plans to grow our business and create value for our Shareholders.

(i) Expand our fleet of machinery and equipment

In order to enhance our operational capability going forward, we intend to utilise part of the proceeds from the Share Offer to acquire and/or partly finance the expansion of our fleet of machinery and equipment for ongoing project(s) and future projects, including four crawler cranes, four oscillators and four reverse circulation drills on or before 31 March 2016. These machinery and equipment can also be deployed and used for other foundation work and ancillary services projects which involve the construction of bored piles, after the completion of the above-mentioned project(s).

(ii) Expand our workforce

To cope with our business expansion, we intend to continue with our recruitment of construction workers, maintenance workers and project managers, who possess suitable experience and qualifications.

Our Directors believe that by expanding our construction capacity and workforce, we will be able to better compete for sizeable foundation works and ancillary services projects and broaden our customer base.

OUR FOUNDATION WORKS AND ANCILLARY SERVICES

Piling

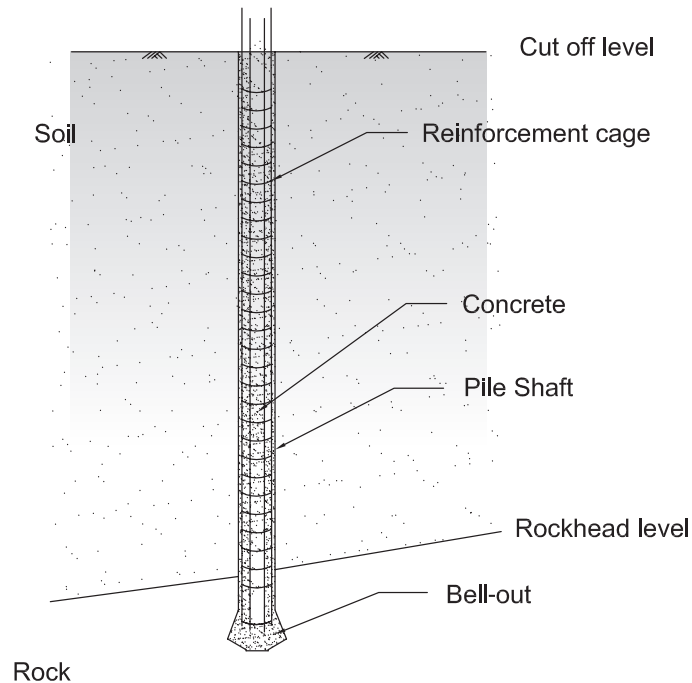
A pile is a columnar foundation element that is either manufactured and inserted into the ground or cast-in-place in a shaft formed in the ground by boring or excavation.

The choice of piles depends on the superstructure's loading characteristics, ground conditions and environmental issues and the cost effectiveness for adopting a certain pile type. For "design and build" contracts, subject to customers' specific requests, the contractor can decide on the type of piling system to be adopted for the project. For "build only" contracts, the customer specifies the type of piling system to be used in the project.

During the Track Record Period, the majority of our Group's piling projects involved the construction of bored piles. Our Group has also been engaged to construct rock socketed steel H-piles and to carry out excavation and lateral support works during the Track Record Period.

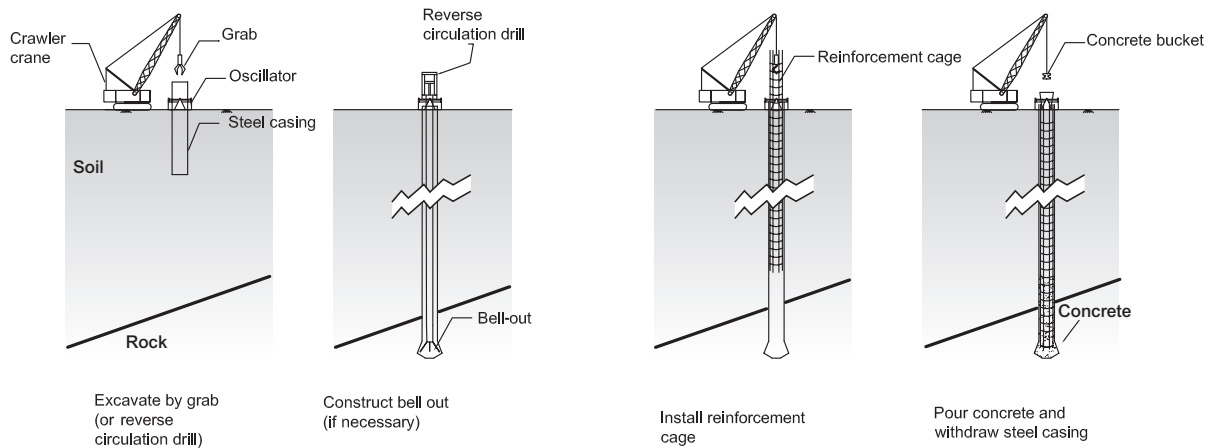
Bored pile

A typical bored pile



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The construction of large diameter bored piles involves the excavation (inside a steel casing) of a circular hole in the ground by a grab or reverse circulation drill, insertion of a reinforcement cage into the circular hole and the filling of concrete by tremie method. The following diagrams illustrate the typical process for construction of a large diameter bored pile:



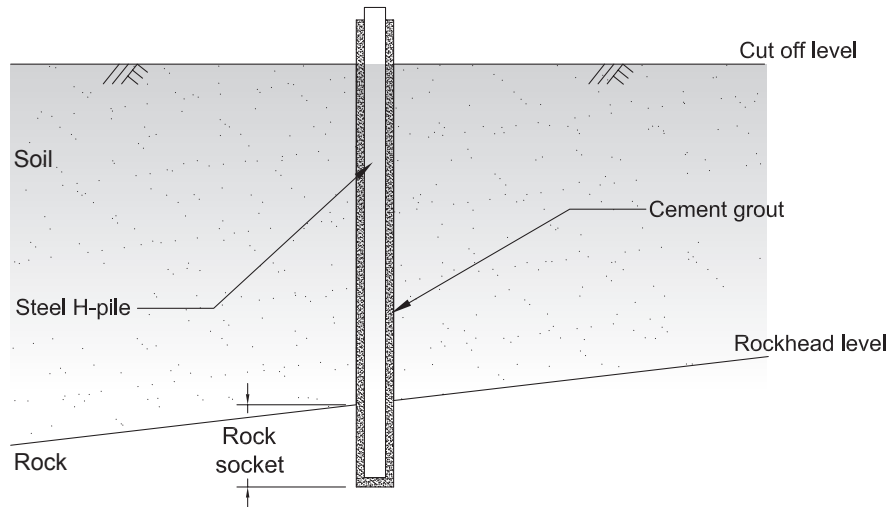
Typically, bored piles are used to support tall buildings or structures which have heavy vertical loads. A bored pile is a cast-in-place concrete pile cast on construction sites. The bored piling works undertaken by our Group are mainly large diameter bored piles with diameters ranging from 1.0 metre to 3.0 metres. Given that there are a large variety of pile diameters and construction techniques, large diameter bored piles can be tailored and adapted to various superstructure loading requirements and bearing capacity of the bedrock. In addition, the construction of a bell-out at the base of a large diameter bored pile can further increase the pile load bearing capacity.

All of the bored piling related foundation work projects undertaken by our Group during the Track Record Period involved the construction of large diameter bored piles.

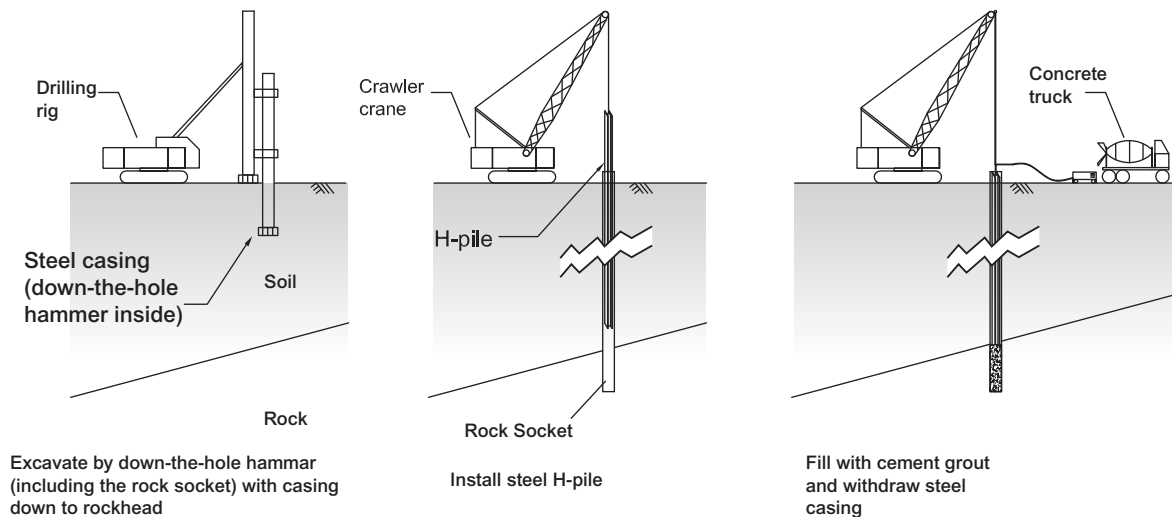
The reasons for the use of bored piles to support superstructures include (i) its high load bearing capacity; (ii) little vibration; and (iii) low noise level, thus reducing disturbance to the surrounding population, notwithstanding that the construction of bored piles requires a wide range of specialised machinery and equipment.

Rock socketed steel H-pile

A typical rock socketed steel H-pile



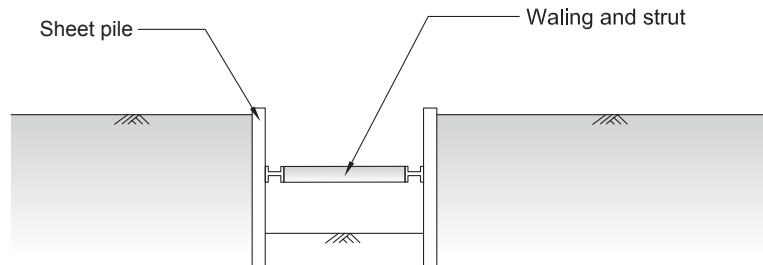
The construction of a rock socketed steel H-pile involves the excavation (with a steel casing) of a circular hole in the ground (including the rock socket), the placement of a steel H-pile into the hole which is subsequently filled with cement grout. The following diagrams illustrate the typical construction process of a rock socketed steel H-pile:



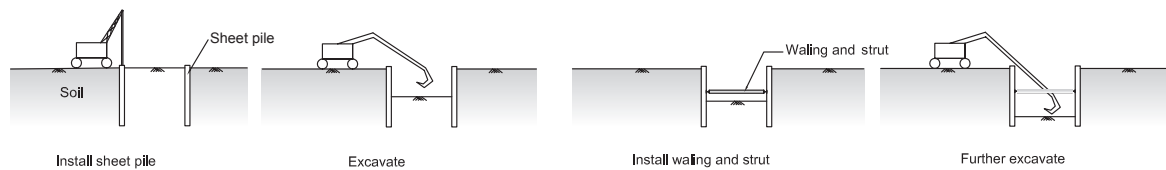
The reasons for the use of rock socketed steel H-piles to support superstructures include, among others, its ability to accommodate sloping and congested sites. Rock socketed steel H-piles are typically used to support buildings or structures comparatively lighter than those building or structures supported by bored piles. The machinery and equipment required for the construction of rock socketed steel H-piles are typically smaller in size.

Excavation and lateral support works

A typical excavation and lateral support works



The construction of excavation and lateral support works involves the installation of sheet piles, excavation, installation of waling and strut, and further excavation. The following diagrams illustrate the typical construction process of excavation and lateral support works:



Typically, excavation and lateral support works are used to provide support for excavation of the existing ground for the purpose of construction of pile caps, basement and underground utilities.

The lateral support works carried out or engaged to be carried out by our Group during the Track Record Period involved the use of sheet piles, pipe piles and soldier piles with steel waling and struts as a temporary support system.

The design of lateral support works is governed by, among others, the soil and ground-water conditions, and by the depth and width of the excavated area.

Ancillary Services

Site investigation

Typically, site investigation works, including documentary studies, site survey and ground investigation which may include exploratory drilling, excavating and probing of land are conducted on site prior to the commencement of foundation works to enable foundation works contractors to assess the sub-soil conditions and select the type and extent of piles required for the superstructure to be developed. At dense urban development sites, investigations may be extended to cover factors that may affect adjacent properties including slopes, pipes conveying water, gas or sewage.

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During the Track Record Period, our Group engaged specialist subcontractors to undertake site investigation, where necessary, to obtain data for the design and construction of foundations, including the identification of risks and relevant remedies. Further details of subcontracting arrangements are set out under the paragraph headed “Business – Subcontracting arrangements” in this prospectus below.

Removal of installed piles

During the Track Record Period, our Group undertook one project where we were specifically engaged to remove previously installed piles. Such works were performed to clear and prepare the work site for future development.

Machinery and equipment to carry out foundation works and ancillary services

Our Group relies on the use of machinery and equipment to enable us to carry out our foundation works and ancillary services. Accordingly, we maintain a broad range of machinery and equipment which mainly consists of crawler cranes, oscillators and reverse circulation drills for the construction of bored piles; boring rigs, down-the-hole hammers and air compressors for the construction of rock socketed steel H-piles. Our machinery and equipment is of different sizes/capacities. Our Directors believe our fleet of machinery and equipment enhances our ability to compete for and carry out sizeable and more complex foundation works and ancillary services contracts in Hong Kong and Macau as well as projects that may require certain specialised type of machinery and equipment.

Prior to committing ourselves to any significant investment in machinery and equipment, our Directors would evaluate the costs and benefits of such investment and alternative options, including leasing machinery and equipment from external parties. In this connection, our Directors confirm that our Group may occasionally lease a particular machinery and equipment from an economic point of view when this machinery and equipment is available for lease at a favourable price; or when our use of such machinery and equipment is for an ad hoc task or project and/or for testing of the functionality of such machinery and equipment before we acquire the same for long term use. We incurred costs for machinery leasing of approximately HK\$0.6 million, HK\$5.5 million and HK\$6.5 million during the Track Record Period.

During the Track Record Period, our Group acquired machinery and equipment in the sum of approximately HK\$9.8 million, HK\$119.6 million and HK\$95.2 million, respectively.

As at 31 March 2014, the aggregate net book value of our machinery and equipment recorded in the combined balance sheets of our Group totalled approximately HK\$397.8 million. Our used machinery and equipment is recorded as non-current assets in the combined balance sheets of our Group. Our Group normally performs a stock take on our machinery and equipment once a year.

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The table below sets out the function and usage of our principal machinery as at 31 March 2014:

Machinery	Number of units	Capacity	Countries of origin	Type of work	Function and usage	Average remaining useful life (<i>approx. year</i>)
Crawler cranes	26	80 to 275 tonnes	Germany and Japan	bored piles	used for grabbing, chiseling and lifting	7.7 years
Oscillators	50	0.9 to 3.3 metres	Germany and Italy	bored piles	used in the construction process of large diameter bored piling in conjunction with crawler cranes to form large diameter bores in the ground and as a tool to withdraw casing during concreting	4.0 years
Rotators	12	1.5 to 3.0 metres	Germany and Japan	bored piles	similar to an oscillator except that the casing is “rotated” fully during the driving and extraction of the casing	2.3 years
Reverse circulation drills	21	1.37 to 3.0 metres	Germany and South Korea	bored piles	used to drill/cut through obstructions and/or into the bedrock and used in conjunction with a bell-out bit to form a bell-out	4.0 years
Boring rigs and down-the-hole hammers	7 and 17	85 to 120 tonnes and 16 to 22 inches	Hong Kong, Italy, Japan, South Korea, United Kingdom and United States of America	rock socketed steel H-piles	used together to drill/cut through obstructions and/or into the bedrock	7.9 years
Air compressors	16	750 to 1078 cubic feet per minute	Japan, Sweden and United States of America	bored piles and rock socketed steel H-piles	used in conjunction with a reverse circulation drill or boring rigs to remove the remaining fine soil and rock fragments in the pre-bored hole after the excavation process	7.2 years

Details of the principal machinery deployed for each of the foundation works and ancillary services contracts undertaken during the Track Record Period are set out under the paragraph headed “Business – Foundation works and ancillary services projects” in this prospectus. Details of the principal machinery deployed or intended to be deployed for each of the contracts on hand are set out under the paragraph headed “Business – Continue to expand our business operations in Hong Kong” and “Business – Continue to expand our business operations in Macau” in this prospectus.

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As per the applicable accounting policies adopted by our Group, depreciation of our machinery and equipment is calculated using the straight line method to allocate their costs to their residual values over the estimated useful lives of the machinery and equipment, which ranges from 10 to 15 years. The residual values and useful lives of the machinery and equipment are reviewed and adjusted if appropriate, at each balance sheet date.

Due to the nature of our operations, it is not feasible or practicable to accurately quantify the utilisation rates of our machinery and equipment for the following reasons:

- (i) our machinery and equipment may from time to time be left unused at active construction sites pending completion of other construction steps and/or may sometimes be left unused pending repair, assembly or disassembly at construction sites. Accordingly, the utilisation rate of each individual machine cannot be accurately determined as it is not practicable to record the time at which a particular machinery/equipment is used or left unused in an active construction site;
- (ii) our Group worked on a range of foundation works and ancillary services projects over the Track Record Period. Each of these projects undertaken by our Group involved a number of construction steps. A construction step may involve several procedures and each procedure may require the use of various types of machinery and equipment. Accordingly, it would be difficult to reliably measure the actual utilisation of each individual machine/equipment on a daily or hourly basis as these procedures may vary depending on, among others, the complexity of the project and sub-soil condition of the construction site; and
- (iii) as set out in the fixed asset register of our Group as at 31 March 2014, our fleet of machinery is in excess of 220 items of machinery and over 10 types of machinery of various sizes and capacity. Given the number of machinery owned by our Group, it is impracticable for our Group to track in detail the usage of each individual machinery.

In view of the above, the collection of reliable and accurate data, including the hourly usage rate of each individual machinery and equipment, required for the calculation of the utilisation rates is therefore not feasible in practice.

During the Track Record Period, when our machinery and equipment was not deployed to a particular project or located at the relevant construction site, they would be placed at a site leased by the Company situated in Yuen Long, New Territories.

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As at the Latest Practicable Date, our Group deployed a range of our machinery and equipment in Macau including crawler cranes, oscillators and reverse circulation drills for the Hotel Casino Project. The deployment of our machinery and equipment is subject to project requirements and progress. Our machinery and equipment is transported between Hong Kong and Macau by freight and such transportation arrangements can be arranged at short notice. As at 31 March 2012, 2013 and 2014, our non-current assets physically located (i) in Hong Kong amounted to HK\$204.1 million, HK\$160.9 million and HK\$217.3 million respectively; and (ii) in Macau amounted to nil, HK\$154.3 million and HK\$182.9 million respectively.

Our Group has a broad range of machinery and equipment to cater for different project requirements and their deployment during the Track Record Period is subject to project requirements and progress. Our Directors also consider the location of our machinery and equipment at the time, and our contracts on hand, including those of which the foundation works have commenced or are to be commenced in the foreseeable future, when deploying our machinery and equipment for projects. The quantity and quality of the machinery and equipment as well as an experienced team of maintenance staff are crucial to ensuring our Group's ability to compete cost effectively for those projects which are technically complex in nature and/or are subject to time constraints.

Leasing of machinery and equipment

During the Track Record Period, our Group derived other income from our business of leasing machinery and equipment to third parties in Hong Kong which amounted to approximately HK\$14.8 million, nil and HK\$0.2 million, respectively.

Our Group leased our machinery and equipment to four customers during the Track Record Period. Our Group has not actively promoted this business during the Track Record Period. Our Directors evaluate enquiries and where appropriate, enter into leasing transactions of our machinery and equipment with due care to ensure any leasing arrangements would not impair our Group's ability to compete for future foundation works and ancillary services.

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SALES AND MARKETING AND CUSTOMERS

During the Track Record Period, our Group has undertaken projects as a main contractor, sub-contractor or sub-subcontractor on private and public sector projects located in Hong Kong and Macau.

The foundation works and ancillary services contracts undertaken by our Group are normally awarded to us by way of tender or quotation requested by the customers or the main contractors. Referrals to tender for projects or requests for price quotation in the foundation industry are largely from word-of-mouth, expertise in foundation works, reputation, established track record and past job references, rather than by advertising and/or promotion. We focus our efforts on the execution of projects and on maintaining existing relationships with market participants and our customers in the construction industry to explore potential business opportunities, further details of which are set out below.

Sales and marketing

During the Track Record Period, all of the foundation works and ancillary services contracts undertaken by our Group were awarded by way of tender or quotation requested by the customers or the main contractors. Notwithstanding the fact that our Group does not maintain a full time team of sales and marketing staff, our management team maintains frequent contact with private sector participants in the construction industry in Hong Kong and in Macau and attends regular meetings organised by The Hong Kong Construction Association Limited, of which SW Bore Pile is a member, to keep abreast of market developments and potential business opportunities. Furthermore, our Group also monitors the development of private sector companies through our business contacts and their corporate websites.

In addition, we monitor Government works forecasts and public tender notices by searching tender notices and other relevant information published on the websites of various governmental departments.

From time to time, we receive letters of invitation to participate as potential tenderers for construction projects of the Housing Authority and private sector projects as we are on their approved list of foundation contractors.

There have also been occasions where a potential customer or architects contacted members of our management team directly to discuss potential foundation works and ancillary services opportunities. In such circumstances, our management team then followed up and developed such opportunities.

During the Track Record Period, our Group was awarded with 12 foundation works and ancillary services projects, four of which were awarded to us by way of tender and the remaining eight foundation works and ancillary services projects were awarded to us through acceptable price quotation. In light of the above, we are of the view that past job references, relationships with customers and our network in the industry are valuable assets which will assist us to secure future contracts. With a view to increasing our Group's publicity, we also display the name and logo of Sam Woo at construction sites.

Customers

During the Track Record Period, our Group's largest customer accounted for approximately HK\$37.9 million, HK\$159.9 million and HK\$434.6 million, representing approximately 38.5%, 42.6% and 88.2% of the revenue of our Group, respectively. Sales to our Group's five largest customers for the Track Record Period amounted to approximately HK\$95.9 million, HK\$367.1 million and HK\$486.4 million, representing approximately 97.4%, 97.9% and 98.7% of the revenue of our Group, respectively.

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The following information sets out the profile of the top five customers for the Track Record Period:

Year ended 31 March 2012

Name of our direct customer (Note 1&2)	Public/Private sector project	Approximate percentage to the revenue of our Group (%)	Principal business of our direct customer	Business with our direct customer commenced since
Customer D	Public sector project	38.5%	Building and civil engineering	2011
Customer E	Public sector project	27.6%	Construction	2011
Customer F (Note 3)	Public sector project	15.3%	Construction	2004
Customer G	Public sector project	10.6%	Construction	2011
Customer H	Private sector project	5.4%	Property investment	2009

Notes:

1. Our direct customer is the contractual party to our contract, further explanation is set out under the paragraphs headed “Business – Public sector” and “Business – Private sector” in this prospectus below.
2. Customers A to G are consistent with note 5(b) to the financial information set out in the Accountant’s Report in Appendix I to this prospectus.
3. During the year ended 31 March 2012, our Group generated revenue of approximately HK\$15.1 million from settlement of outstanding sums in connection with the Second Previous Project, of which our works had been completed prior to the Track Record Period.

Year ended 31 March 2013

Name of our direct customer (Note 1&2)	Public/Private sector project	Approximate percentage to the revenue of our Group (%)	Principal business of our direct customer	Business with our direct customer commenced since
Customer B	Private sector project	42.6%	Accommodations and entertainment	2012
Customer C	Private sector project	39.7%	Construction and piling	2012
Customer A	Private sector project	10.8%	Property investment and development	2012
Customer I	Private sector project	3.1%	Construction	2012
Customer J	Private sector project	1.7%	Construction and transportation	2013

Notes:

1. Our direct customer is the contractual party to our contract, further explanation is set out under the paragraphs headed “Business – Public sector” and “Business – Private sector” in this prospectus below.
2. Customers A to G are consistent with note 5(b) to the financial information set out in the Accountant’s Report in Appendix I to this prospectus.

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Year ended 31 March 2014

Name of our direct customer <i>(Note 1&2)</i>	Public/Private sector projects	Approximate percentage to the revenue of our Group (%)	Principal business of our direct customer	Business with our direct customer commenced since
Customer A	Private sector project	88.2%	Property investment and development	2012
Customer K	Private sector project	4.1%	Construction	2014
Customer L	Private sector project	3.5%	Construction and piling	2013
Customer M	Private sector project	2.5%	Real estate development	2014
Customer B	Private sector project	0.5%	Accommodations and entertainment	2012

Notes:

1. Our direct customer is the contractual party to our contract, further explanation is set out under the paragraphs headed “Business – Public Sector” and “Business – Private sector” in this prospectus below.
2. Customers A to G are consistent with note 5(b) to the financial information set out in the Accountant’s Report in Appendix I to this prospectus.

As set out under the paragraph headed “Business – Business strategies” in this prospectus above, the number of foundation works and ancillary services projects that can be executed by our Group simultaneously is limited by our resources including the capacity of our machinery and equipment. Thus our strategy has been to primarily focus on deploying our resources towards competing for sizeable and profitable projects which has, in turn, inevitably resulted in a concentration of customers during the Track Record Period.

Notwithstanding the above, our Group has demonstrated over the Track Record Period that we have the ability to compete for foundation works and ancillary services contracts from new customers. Provided that we have sufficient operation capacity in the future, we intend to serve a larger number of customers and projects. In this regard, we plan to expand our capacity by (i) continuing to acquire foundation works related machinery and equipment; and (ii) increasing staff headcount.

As at the Latest Practicable Date, our Group has five contracts on hand, the awarded contract sum for these contracts on hand (including contracts in progress and contracts of which our work has yet to commence) amounted to approximately HK\$1,348.6 million. The largest contract sum out of the five contracts on hand, not taking into account contingent and/or provisional contract amounts, is approximately HK\$462.8 million, representing approximately 34.3% of the aggregate awarded contract sum as at the Latest Practicable Date.

Our Directors consider that our Group has established good relationship with our customers.

As our foundation business operates on a non-recurring and project-by-project basis, we have not entered into any long-term master contract with any of our major customers.

BUSINESS

None of our Directors, nor our Shareholders (who or which to the knowledge of our Directors or their respective associates own more than 5% of the issued share capital of the Company) had any interests in the five largest customers of our Group for the Track Record Period.

Our ultimate employer are generally divided into two categories, (i) the public sector including the government departments, statutory bodies and their related organisations, and institutional bodies; and (ii) the private sector.

Public sector

Our Group classifies public sector contracts as contracts of which the ultimate employer is a government department, statutory body or related organisation, or institutional body.

During the Track Record Period, our Group undertook three public sector projects as a subcontractor or sub-subcontractor for foundation works and ancillary services, namely the Express rail link project 1, Express rail link project 2 and Road improvement and extension project in Yuen Long.

Our Group may also act as a subcontractor/sub-subcontractor under the administration of a main contractor. Under such contracts, the main contractor would enter into contracts with the public sector employer. The main contractor, who is normally responsible for (i) supervising the progress of the entire construction project (usually including foundation works and other construction works); (ii) delegating specific works of the construction project to different subcontractors; and (iii) engaging and supervising the subcontractors, which may be designated by the ultimate employer. In light of the above, the main contractor would enter into a subcontract directly with a specialist contractor with the requisite licences registrations/listings for foundation related works who may in turn subcontract such work to a sub-subcontractor. In this connection, our Group would enter into a subcontract with the main contractor or the subcontractor (as the case may be) and accordingly, the relevant government departments, statutory bodies or related organisations, or institutional bodies will be the ultimate employer of the project, while the main contractor or the subcontractor (as the case may be) will be our direct customer.

Private sector

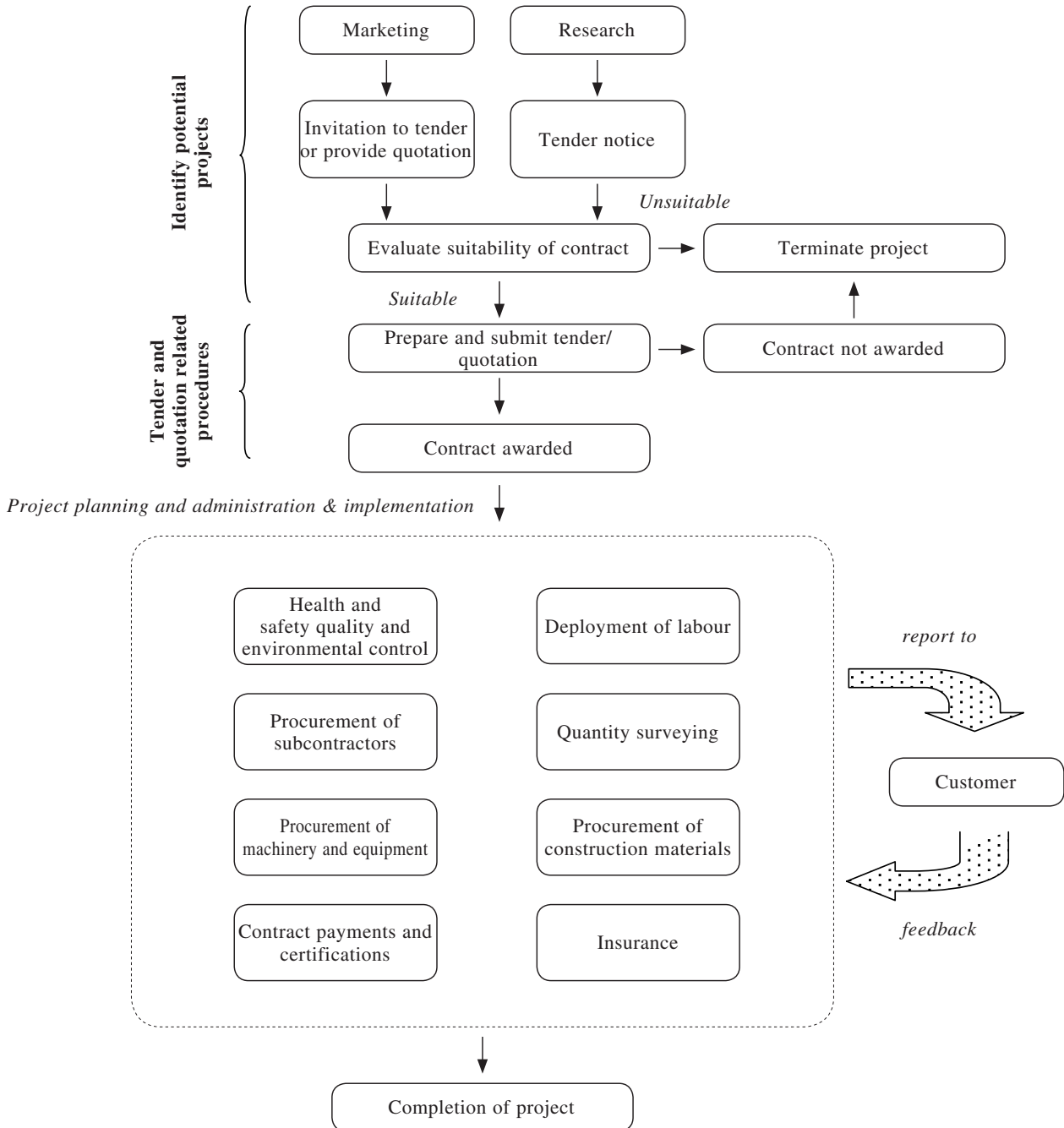
Our Group is also engaged in private sector projects in Hong Kong and Macau, of which our customers include property developers, construction companies, their main contractors and subcontractors.

Similar to the arrangement in the public sector, the main contractor appointed by the ultimate employer for typical construction project is normally responsible for (i) supervising the progress of the entire construction project (usually including both foundation works and other construction works); (ii) delegating specific works of the construction project to different subcontractors; and (iii) engaging and supervising the subcontractors, which may be designated by the ultimate employer.

BUSINESS

OPERATIONS

For illustration purpose, a simplified flow diagram of the key operational procedures of our Group is outlined as below:



Operational Procedures

The following sets out the key operational procedures as illustrated in the above simplified flow diagram:

Identify potential projects

Sales and marketing activities of our Group are set out under the paragraph headed “Business – Sales and marketing” above.

Once an opportunity has been identified, our management team will evaluate the commercial viability of a contract, in particular, the areas and issues such as (i) the availability of our Group’s resources at the relevant time and whether additional resources are required; (ii) whether the required foundation works and ancillary services are within our Group’s relevant expertise and technical knowledge; (iii) the prevailing market conditions; (iv) the scope, complexity and profitability of the project; and (v) the achievability of the specified timetable, as the case may be and decide on whether to pursue such opportunity or not.

In addition, members of our management team communicate with our customers on a regular basis during the course of a project to better understand and respond to our customers’ specific requirements. Through this continued relationship development, our Group aims to attract further business from these customers and referrals from these customers.

Tender and quotation related procedure

In preparing tenders or quotations, our Group will take into account various factors, including the project specifications and requirements, the location, site conditions, the construction materials, labour and subcontracting costs, human resources, schedule of works, availability of machinery and equipment.

Our Group may either tender for the relevant foundation works and ancillary services via a main contractor who is eligible to tender for the overall contract works, or directly submit tenders/provide quotation for the foundation works and ancillary services as a main contractor, a subcontractor or a sub-subcontractor to the potential customer. In the former case, our Group may enter into a pre-bid agreement with a main contractor so that the relevant subcontract can be secured by our Group in the event such main contractor is successful with its bid. There were also circumstances where we entered pre-bid agreements with several potential main contractors in respect of the tender for the same contract.

We generally tender or provide quotation for two types of contract, namely (i) “build only” contracts; and (ii) “design and build” contracts:

1. A “build only” contract

Normally, tenders are submitted on the basis that a foundation design would be provided by the customer of the relevant construction projects.

BUSINESS

A tender or quotation is prepared after reviewing the project specifications and requirements set out in the invitation to tender and analysing the risks and benefits of the foundation works and ancillary services to be undertaken. Our management team plays an important role in all tendering activities. They are responsible for reviewing tender documents, considering the capacity of our machinery and equipment and our Group's competence in performing the contract formulating bidding strategies and ensuring that the bids are competitive in price yet profitable.

2. A "design and build" contract

A "design and build" contract generally involves the preparation of a foundation design by a foundation contractor in accordance with the specifications set out in the relevant invitation to tender or provide quotation. Our Directors believe that an effective and economic foundation design is an important aspect in the tendering process as it directly influences the price competitiveness of our tender sum which in turn affects our chances of being awarded the contracts. Through leveraging on the experience of our management team, our Directors believe that we are positioned to produce designs which meet our customers' requirements after taking into account all factors which are essential to a foundation design including the superstructure loading requirements, the building, health and safety, quality and environmental issues.

Other than where a foundation design is provided by the customer, the procedures as set out under the paragraph headed "Business – 1. A "build only" contract" above also apply to "design and build" contracts.

Common terms of our foundation works and ancillary services contracts

Given the nature of our business, we do not utilise a standard form of contracts. However, some of the common terms set out in our foundation works and ancillary services contracts awarded and undertaken by our Group during the Track Record Period are generalised below:

Location	The location of the work site at which our foundation works and ancillary services are to be carried out.
Contract Period	The time allowed for us to carry out the foundation works and ancillary services are specified in individual contract. We shall follow the pre-determined construction work schedule as specified by our customers, which may be extended from time to time pursuant to the terms of the contract.
Types and scope of works	Irrespective of the type of foundation works and ancillary services contract we were engaged in, i.e. a "build only" or a "design and build" contract, the type of piling works together with the foundation layout plan is specified in the contract.
Payment Terms	The basis for receiving payment from our customer, further details of which have been set out under the paragraph headed "Business – Contract payments and certification" in this prospectus below.

BUSINESS

Variation Orders/ Contingencies	An amount specified in the contract to allow for additional works or modification to the foundation works by our customer to be carried out by us. Payment made to us by our customer for our work under the variation orders/contingencies are based on the valuation by the architect or civil engineer of the construction project on our work performed.
Liquidated Damages	The amount of liquidated damages payable by us per day if we fail to complete the contractual work within the stated contract period is specified. The contract period may be extended from time to time pursuant to the terms of the contract. Further details have been set out under the paragraph headed “Business – Performance bonds/liquidated damages” in this prospectus below.
Defect Liability Period	The defect liability period is normally twelve months after practical completion of our contractual works or for such other period as our customer may specify, depending on the scale of the entire construction project. Further details have been set out under the paragraph headed “Business – Defect liability period” in this prospectus below.
Retention Monies	Retention monies are generally required by our customer to secure our Group’s due performance of the contract. Typically, the amount of retention money is subject to negotiation between the parties and ranges from 1.0% to 10.0% of the value of the works certified, subject to a maximum retention of 1.0% to 5.0% of the total original contract value or a monetary cap. Further details have been set out under the paragraph headed “Business – Contract payments and certification” in this prospectus below.
Default	<p>We may be held in default of the contract if we:</p> <ul style="list-style-type: none">(i) fail to complete the foundation works and such other ancillary works within the specified contract period or the extended contract period (where applicable);(ii) fail to remedy or make good the defective works, if any, as requested by our customer;(iii) assign or subcontract the works without prior consent from our customer; or(iv) go into liquidation or enter into any repayment scheme or arrangement with any of our creditors.

BUSINESS

Project planning and administration

Once our Group has been awarded a foundation works and ancillary services contract, whether such project is based in Hong Kong or Macau, our Group will follow our internal planning and administrative procedures to ensure that each contract is executed effectively and efficiently. Project planning and administration requires the following considerations:

- Health and safety, quality and environmental

Our Group will implement a management system which is in accordance with the requirements of ISO 9001, ISO 14001 and OHSAS 18001 relating to the design and construction of large diameter bored piles (with bell-out) and rock socketed steel H-piles in pre-bored holes to ensure that our services meet the requisite health and safety, quality and environmental requirements.

- Deployment of labour

Our Group will assign adequate and qualified personnel to individual projects as appropriate. Our Group will ensure that they are licenced to engage in such jobs.

For further details, please refer to the paragraph headed “Business – Employees” in this prospectus.

- Procurement of subcontractors

Our Group may subcontract part of our works to subcontractors or sub-subcontractors. In order to control and ensure the quality and progress of subcontractors/sub-subcontractors, our Group selects subcontractors/sub-subcontractors based on their past performance, creditworthiness, pricing competitiveness as well as their health and safety records.

- Quantity surveying

Our quantity surveying and purchasing manager will be responsible for quantity surveying matters (including certification of payments to our subcontractors for works completed) and preparation of tenders and quotations for our Group.

Project implementation

As part of our project implementation process, our management will form a project management team to be led by a project manager.

Our project management team is responsible for general project management, administration, overseeing works schedule and procurement of workers, machinery and equipment and construction materials.

BUSINESS

The table below sets out the key members of a typical project team and their respective responsibilities:

Project	Responsibilities
Project Director	<p>Responsible for the overall operation of the project including:</p> <ul style="list-style-type: none">• establish site policy• review customer requirement• review project plan and allocation of resources• monitor monthly progress payment application and variation claims, including subcontractors' progress payments• handle process control and variation orders documents about any critical changes and potential impacts on cost and/or compliance• ensure the fulfilment of contracts requirements• ensure the project is executed in a cost effective manner• lead the project team towards a satisfactory completion
Project Manager	<p>Responsible for assisting the project director and performing the following functions:</p> <ul style="list-style-type: none">• prepare the project plan• manage projects and co-ordinate with customer, project consultants and subcontractors• ensure all supplies can be ordered and met the master program and specification• control the material logistics and record all on-site equipment and facilities• co-ordinate all project matters and rectify problems encountered on-site installation until the deficiency or unsatisfactory condition has been corrected• review design and change of design during installation whenever necessary• ensure works quality, safety and environmental issues in accordance with the customers' requirements and statutory regulations• monitor the overall operation of the project• assess the qualification and experience of all site staff

BUSINESS

Project	Responsibilities
Site Agent	<p>Responsible for assisting the project manager and performing the following functions:</p> <ul style="list-style-type: none">• assist the preparation of the project plan• assist the monitoring the progress of the project• supervise the works• liaise with our customers and representatives of consultants on-site• carry out inspection of works with the engineer• ensure the works are built in accordance with contract requirement
Engineer/Assistant Engineer	<p>Responsible for assisting the project manager and performing the following functions:</p> <ul style="list-style-type: none">• oversee the engineering aspects of the project
Quantity Surveying and Purchasing Manager	<p>Responsible for assisting the project director and performing the following functions:</p> <ul style="list-style-type: none">• handle cost estimation, tender documentation and variation measurements• assist in administration of contracts, payment claims and settlement of final accounts• measure subcontractors' work done• handle purchase orders to ensure projects on schedule• manage inventory forecast and stock control• monitor shipping schedule to ensure on time delivery• follow products enquiries, delivery status and pricing

BUSINESS

Project	Responsibilities
Senior Foreman/ Foreman	<p>Responsible for assisting the project manager and site agent and performing the following functions:</p> <ul style="list-style-type: none">• supervise the works to ensure they are carried out in accordance with specifications and drawings• check all machinery and plant, including power and hand tools, to ensure they are in good condition
Safety Officer	<p>Responsible for assisting the project manager and site agent and performing the following functions:</p> <ul style="list-style-type: none">• advise on safety issues including prevention of injury and damage to plant equipment, and legal requirements and laws and regulations affecting safety and health• carry out safety trainings for all levels of employees• carry out safety inspection on site• prepare accident report and give recommendation for avoidance of injuries and damages• assess accident trends and thus review overall safety performance• recommend the use of posters, sliders or films to increase awareness of injury prevention and damage control
Safety Supervisor	<p>Responsible for assisting the safety officer and performing the following functions:</p> <ul style="list-style-type: none">• assist the safety officer in promoting safety and health• supervise the workers in observing and meeting the safety standards• submit weekly report to the safety officer or the proprietor

BUSINESS

For “design and build” projects, our project management team will normally consider, among other things, the relevant codes of practice, specifications, regulations, loading plans and loading schedules provided by the customer’s architects/engineers and prepare a design for submission to the architects/engineers for approval. Notwithstanding that our Company has no designated workforce to perform design works as at the Latest Practicable Date, for the “design and build” projects, our Group has engaged external consultants and has the relevant experienced personnel to supervise external consultants to provide the relevant design works.

Project meetings between our project management team and our customers/architects/engineers are held to assess and review the progress of the project and to resolve any problems which may arise. During such meetings, we will submit progress reports to the customers/architects/engineers.

At the same time, we will deploy our Group’s resources, including human resources, quantity surveying, procurement, machinery and equipment, health and safety, quality and environmental personnel, to ensure smooth execution of works.

Once a project is launched, our project management team will monitor the progress, costs incurred and performance of the project in all respects to ensure that it meets the customer’s requirements and is completed in accordance with the time schedule and in compliance with all statutory requirements in connection with foundation works and ancillary services, health and safety, quality and environmental and other related legislation.

The procedures and arrangements in relation to project implementation set out below, including but not limited to, subcontracting arrangements and procurement of construction materials, will apply to our business operations in both Hong Kong and Macau.

In respect of our Macau Projects, our Group has engaged various professional parties for the provision of related services including tax advice and company secretarial services as well as Macau legal advice so as to ensure that our foundation works and ancillary services under the Macau Projects are carried out in compliance with the applicable laws and regulation in Macau in all respects.

Subcontracting arrangements

Our Group may act as the main contractor for a foundation works and ancillary services project, whereby we will be accountable to the ultimate employer for the execution of the foundation works and ancillary services contract and the overall management of the project. On most occasions, our Group is appointed as a subcontractor or a sub-subcontractor to the main contractor, whereby the main contractor, rather than our Group, will be accountable to the employer for the foundation works and ancillary services carried out by our Group as a subcontractor or a sub-subcontractor.

With the consent of our customers (who may be the ultimate employer or a main contractor), our Group may subcontract parts of our works which may require specialist subcontractors and/or equipment, such as site surveying, ground investigation, utility connection, steel fixing, proof drilling and grouting. In order to control and ensure the quality and progress of the works of subcontractors, our Group typically engages subcontractors from our approved list, which is reviewed and updated by us from time to time. Selection of the subcontractors is normally based on, among other things, their past performance, credit-worthiness, pricing competitiveness as well as their health and safety, quality and environmental records. The performance of the subcontractors is monitored by our project management team, on a regular basis who supervises the progress and inspects the quality of works carried out.

BUSINESS

Although our Group has not taken out any insurance policy to protect ourselves from losses and claims caused by the substandard performance of our subcontractors, we can claim against our subcontractors for losses attributable to their substandard performance. Based on the above and the fact that only those subcontractors who are on our approved list are engaged, our Directors are of the view that the risk of losses or claims caused by the substandard performance of works of or delay caused by the subcontractors is low.

Our Directors are of the view that we have maintained good working relationships with our subcontractors. Our subcontractors normally grant 30 days credit after the issuance of progress certificates or interim invoices to us.

During the Track Record Period, (i) our largest subcontractor accounted for approximately 36.6%, 25.5% and 52.7% of our total expenses incurred from subcontractors, respectively; and (ii) our five largest subcontractors accounted for approximately 90.1%, 86.9% and 82.6% of our total expenses incurred from subcontractors, respectively. We have maintained business relationships between 11 months to four years with the aforesaid subcontractors.

None of our Directors, nor our Shareholders (who or which to the knowledge of our Directors own more than 5% of the issued share capital of the Company) or their respective associates had any interest in any of our Group's five largest subcontractors for the Track Record Period.

Procurement of construction materials

Construction materials used by our Group for foundation works and ancillary services consist mainly of concrete and steel. During the Track Record Period, construction materials accounted for approximately 26.5%, 38.0% and 33.4% of the cost of sales incurred by our Group, respectively.

During the course of performing foundation works and ancillary services as a main contractor, unless specified by our customer, our Group sourced all the construction materials from our pre-approved suppliers.

During the course of performing foundation works and ancillary services as a subcontractor or a sub-subcontractor, our Group, when required, procures construction materials through our customers and/or main contractors. If the customer and/or the main contractor do not specify a supplier from which our Group is required to source construction materials, our Group will independently source the construction materials from our pre-approved suppliers.

BUSINESS

The admission of suppliers onto our pre-approved list is subject to assessment of their background (including track record, pricing, market reputation, timely delivery, financial conditions and after-sales service) and the satisfactory quality of their construction materials. The pre-approved list is reviewed and updated from time to time. Usually, our Group will obtain quotations from at least three suppliers from the pre-approved list and suppliers are selected based on a combination of factors, including their past performance, credit-worthiness, pricing competitiveness as well as their health and safety records.

For contracts undertaken by our Group as a subcontractor or a sub-subcontractor, if the contract entered into between our Group and our customer and/or the main contractor so provides, the customer and/or main contractor may be responsible for purchasing the required construction materials for us to carry out the subcontracted works concerned.

During the Track Record Period, (i) our largest suppliers of construction materials accounted for approximately 47.9%, 49.2% and 56.1% of our total purchases, respectively; and (ii) our five largest suppliers of construction materials accounted for approximately 99.1%, 83.1% and 91.9% of our total purchases, respectively. We have maintained business relationships between one year to 21 years with the aforesaid suppliers of construction materials. During the Track Record Period, we entered into contracts with our suppliers for construction materials on a project-by-project basis and we have not experienced any significant delay in delivery of construction materials by our suppliers causing disruption to our works.

For the Macau Projects, our Group procured construction materials from suppliers based in both Hong Kong and Macau.

As at the Latest Practicable Date, none of our Directors, nor our Shareholders (who to the knowledge of our Directors own more than 5% of the issued share capital of the Company) or their respective associates had any interest in any of our Group's five largest suppliers for the Track Record Period. Our Directors believe that our Group has established good working relationships with our suppliers.

Construction materials purchased are normally settled by cheque payments in Hong Kong dollars or Macau Patacas, where applicable, save for construction materials which are purchased via the customer and/or the main contractor of the project which are settled by way of contra-charge to the account with such customer and/or main contractor whereby the payments due to our Group from our customer and/or the main contractor will be settled after netting off the cost of construction materials purchased via the customer and/or the main contractor of the project. For the avoidance of doubt, the settlement by way of contra-charge will not alter the contract sum of the project. For construction materials purchases, our suppliers normally grant 30 days credit period to our Group.

Procurement of machinery and equipment

Our Group requires machinery and equipment to carry out foundation works and ancillary services. Furthermore, we may acquire additional machinery and equipment to meet project requirements. During the Track Record Period, we acquired machinery and equipment, including crawler cranes, oscillators, reverse circulation drills, down-the-hole hammers and air compressors, from Asian and European manufacturers. Our machinery and equipment suppliers normally do not grant a credit period to us. Certain purchases were financed by finance leases and the duration of the lease term of finance leases is usually four years.

BUSINESS

Work-in-progress

Our Group implements a work-in-progress management policy. Our quantity surveying and purchasing manager and project manager are responsible for administering the policy. They review the work-in-progress of our Group on a monthly basis and determine whether the contract works have been properly certified in accordance with the actual works done under a contract programme. Our Group regularly monitors work-in-progress.

Management of construction materials on site

Our Group implements an inventory management system which aims at achieving effective inventory control and adopts an inventory management policy which is administered by our project management team.

Upon receipt of construction materials, the designated personnel on site, normally being our quantity surveying and purchasing manager, will inspect and conduct sampling tests on the incoming construction materials against applicable specifications to verify that construction materials delivered by our suppliers meet, as the case may be, our specifications, technical requirements, quality standards and agreed specifications in the relevant contracts.

When the construction materials are delivered from the suppliers to sites, the site records will be updated by the site staff simultaneously upon receipt of the delivery notices from the suppliers.

We monitor and compare the project budget against the actual construction materials consumed. Any material discrepancies will be investigated and followed up.

Inventory

During the Track Record Period, our Group's inventories comprised of machinery and equipment for sale, materials and consumables for construction works. Our Group does not make general provision for our inventory. It is our policy to make specific provision/write-off for our obsolete inventory, which is determined on a case-by-case basis.

Our Group did not make any specific provision/write-off of inventories during the Track Record Period. As at 31 March 2014, our Group no longer had any machinery and equipment for sale.

BUSINESS

Defect liability period

Our customers normally require a defect liability period, during which we are responsible for rectifying construction defects. The defect liability period, if any, is normally 12 months after the practical completion of the contract works or for such other period as our customer may specify depending on the nature and the scale of the entire construction project.

Under the usual terms of our construction contracts, we are liable for rectifying all defective works during the defect liability period, if any. During the Track Record Period, we did not experienced any material claims by our customers in respect of any defective works, and therefore we have not made any provision for repair and maintenance costs in respect of defective works during the defect liability period.

Contract payments and certification

Our Group recognises revenue derived from foundation works and ancillary services contracts based on the stage of completion of the contracts. Our Group usually submits payment applications to our customers on a monthly basis. The monthly cut-off date of such payment applications are normally specified in the contracts. Where we act as a main contractor for foundation works and ancillary services projects, authorised persons employed by our customers certify the value of the works completed. Where we act as a subcontractor or sub-subcontractor, the main contractor or subcontractors, as the case may be, certify the value of the works completed. Subsequent to the certification, our customers arrange settlement in respect of the portion of foundation works and ancillary services completed.

The credit terms in relation to the settlement of amounts due from our customers vary from contract to contract. Credit terms may make reference to the payment certificate date, with settlement typically ranging from 14 days to 30 days from such date, depending on the terms and conditions of the contracts.

In general, retention monies are required by our customer to secure our Group's due performance of the contract. Typically, the amount of retention money is subject to negotiation between the parties and ranges from 1.0% to 10.0% of the value of the works certified, subject to a maximum retention of 1.0% to 5.0% of the total original contract value or a monetary cap.

The terms and conditions in relation to the release of retention monies also varies from contract to contract, and which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

As at 31 March 2014, the retention monies held by the customers for contracted works included in our retention receivables amounted to approximately HK\$50.8 million. We expect all these retention monies to be released within the expiry of the defect liability period or the time period pre-agreed between our Group and our customers according to the respective contracts and work done. As at the Latest Practicable Date, the expected release dates of these retention monies should fall between September 2014 and December 2016.

BUSINESS

For works which require our subcontractors to submit an interim payment application to us on a monthly basis, payment is normally subject to a pre-agreed portion being held as retention monies and our verification of the subcontractor's request against the actual works conducted. Our subcontractors normally grant 15 to 30 days credit period to our Group. The retention monies from subcontractors, if required, is usually 5.0% of the total subcontract sum. As at 31 March 2014, retention money payable to our subcontractors held by us included in trade and retention payables amounted to approximately HK\$0.3 million.

Performance bonds/liquidated damages

In the event that our works are not completed on time, we may be liable to the customer for breach of contract and required to pay liquidated damages. In order to secure due and timely performance by us, our customers normally request that we take out performance bonds issued by a bank or an insurance company or a bondsman in favour of our customer to provide for certain circumstances, including (i) unforeseen circumstances beyond the control of our Group; and (ii) variation orders, being additional works beyond the scope of the original contract and performed at the request of the customers, which may cause the completion date to be deferred beyond the scheduled date, a clause may be included in our contracts providing for an "extension of time". Such clause may enable our Group to extend the completion date beyond the scheduled completion date. In the event that "extension of time" entitlements are not granted by our customers, our Group may then be subject to liquidated damages claims from our customers when there is a delay to the completion date.

During the Track Record Period, our Group has been involved in claims from two of our customers in relation to liquidated damages against our Group in two projects which were completed prior to the Track Record Period (the "**Liquidated Damages Claims**"). With regard to these two Liquidated Damages Claims, our Group commenced legal actions against the relevant customers for our "extension of time" entitlement.

One of the Liquidation Damages Claims originated from a legal action taken by us against a customer who, as the main contractor in a project, had engaged us to carry out bored piling works as a subcontractor in the project. Disputes arose between the customer and us in relation to the final account of the project as we claimed for the "extension of time" entitlements that resulted from the persistent delay in the project. Subsequent to the legal action taken out by us, the said customer instituted a legal action against SW Holdings for inducing us to breach the sub-contract in the same project. The three parties (including the customer, SW Holdings and us) had finally reached a settlement agreement in full and final settlement of these two legal proceedings. The said settlement agreement had imposed an obligation on the parties thereto that the contents of the agreement can only be disclosed under limited circumstances on a confidential basis. Hence, we are generally not allowed to disclose any of the contents of the deed of settlement in this prospectus.

BUSINESS

Another Liquidation Damages Claim was related to arbitration proceedings commenced by SW Bore Pile against a customer, which had engaged SW Bore Pile as its subcontractor to carry out and complete certain bored piling works in Hong Kong. Disputes arose between SW Bore Pile and the customer in relation to the final account of the project. SW Bore Pile and the customer subsequently came to settlement of the dispute and signed a settlement agreement, pursuant to which the terms of the settlement agreement shall be kept in strict confidence. Owing to the relevant terms of the settlement agreement between the customer and SW Bore Pile in the arbitration proceedings, the Arbitration Ordinance (Chapter 609 of the Laws of Hong Kong) and the relevant arbitral rules, all details of the claims are not allowed to be disclosed in this prospectus.

Our Group had reached settlement with these two customers respectively over the Liquidated Damages Claims and the settlement amount to our Group in each case was in excess of the relevant contract amount. As at the Latest Practicable Date, there were no claims in relation to liquidated damages against our Group which were under negotiation or unsettled. Our Directors confirm that the negotiation of the final settlement between our Group and our customers is often a prolonged process which is not uncommon in the construction industry. Therefore, it is possible that our Group would only receive settlement of the final sum of a contract after a lengthy period subsequent to the completion of the relevant projects.

Generally, the amount of performance bond required for a project undertaken by us does not exceed 10% of the total contract sum and the performance bond normally expires after completion of the project. As at 31 March 2014, our Group has provided guarantee on the performance bond issued by a financial institution on behalf of our Group in the amount of approximately MOP69.4 million (equivalent to approximately HK\$67.3 million) required for the Hotel Tower Project.

BUSINESS

HEALTH AND SAFETY, QUALITY ASSURANCE AND ENVIRONMENT

Our Directors believe that our Group's health and safety, quality assurance and environmental management systems are important attributes to our Group's success in the foundation works industry.

Health and safety

Our Group places emphasis on health and safety during the delivery of our foundation works and ancillary services. In recognition of the policies and procedures undertaken by our Group to address potential health and safety issues on our sites, in particular, large diameter bored piles (with bell-out) and rock socketed steel H-piles in pre-bored holes, SW Bore Pile was awarded OHSAS 18001:2007 (occupational health and safety management system accreditation) certificates in 2008. The current OHSAS 18001:2007 certificate is valid from 4 November 2011 until 4 November 2014.

Prior to the submission of any relevant tender document or quotation, we will review the relevant contracts to ensure that all of the potential customer's health and safety requirements are identified in order to assess whether our Group has the capability to meet such requirements.

Due to the nature of works in the construction industry, risks of accidents or injuries to workers are inherent. As such, our Group has formulated a safety plan for all our staff. Our Group follows the relevant regulations in Hong Kong and Macau in respect of reportable accidents of our employees as set out in the following paragraphs.

In the event of a personal injury or an accident occurred in the workplace which could have resulted in serious injury or damages to the works or plants but no dangerous occurrence (as defined in the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)) or fatal accident has happened, the safety supervisor, the safety officer or our QSEM (as appropriate depending on the nature of the accident) will initiate the reporting and investigation procedures by filling out a preliminary reporting form. An accident investigation committee comprises of the project manager, the safety supervisor, the safety officer, our QSEM, the immediate supervisor of the injured and/or other specialists as appropriate will be formed for finding out the causes of the accident and make recommendations to improve safety and prevent re-occurrence of similar injuries or accidents. Within seven days of the accident, the project manager, the safety supervisor and/or our QSEM as appropriate will complete the accident investigation, which includes information gathered on, where appropriate, (i) the date, time and location of the accident; (ii) a description of the accident; (iii) information of the injured; (iv) any actions taken for the injured; (v) the proposed remedial action plan; (vi) any immediate actions taken by the Labour Department and our Group; and (vii) any expert opinions consulted where necessary. It will then be discussed in detail within the accident investigation committee within 14 days. The results and recommendations of the investigation will be posted on the safety notice board at the work site.

In Hong Kong, for accidents that lead to incapacity of more than three days, a completed statutory Form 2 (a prescribed form in the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)) in duplicate copies together with the supplementary information including particulars of the accident, the relevant worker's salary and insurance covered ("**Form 2**") will be submitted to the Labour Department within 14 days in accordance with section 15 of the Employees' Compensation Ordinance. For minor accidents that lead to incapacity of not more than three days, we will report to the Labour Department using Form 2B (a prescribed form in the Employees' Compensation Ordinance) within 14 days.

BUSINESS

In the event of dangerous occurrence (as defined in the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)) or fatal accident in Hong Kong, we will notify the Labour Department within 24 hours. Our QSEM will also complete the investigation on the accident/incident within the same timeframe. Within seven days, we will submit the Labour Department's standard "Dangerous Occurrence Report Form" and Form 2 to the Labour Department for dangerous occurrence and fatal accident, respectively. A detailed investigation will be completed by our QSEM and the project manager within seven days.

In the event of accidents occurred in Macau, we will inform the Labour Affair Bureau of the Macau Government by submitting the report of work accident (工作意外申報表格) within 24 hours of the accident, in accordance with Decree Law no. 40/95/M.

Our Group keeps records of accidents occurred. These records include the total number of accidents and accident rates for each month, the nature and causes of each accident, the severity of each accident, legal actions instituted against our Group by the Government and the Macau Government and cumulative statistics of accidents occurred. The safety committee of our Group, comprising of the chairman of our Group, the chief executive officer of our Group, the QSEM and other members of the management of our Group, is responsible for analysing the statistics and investigation results of the accidents in order to identify the problems and suggest remedial actions to avoid recurrence of similar accidents.

For details of potential claims of employee's compensation and claims of personal injury, please refer to the paragraphs headed "Business – Legal and Administrative Proceedings – Potential claims and litigations against our Group as at the Latest Practicable Date".

During the Track Record Period, and subsequent to the Track Record Period and up to the Latest Practicable Date, we recorded accidents involving (i) nil, three, one and one workers who were employed by our Group; and (ii) one, two, one and three workers who were employed by our subcontractors, respectively, but excluding our Group's employee in Macau who had passed away at our Group's project site in Macau due to the deceased's health condition. The obligation of reporting these accidents to the relevant authorities vests on the respective employer of the injured workers. The following table sets out the nature of the accidents involving the workers employed by our Group and our subcontractors during the Track Record Period and up to the Latest Practicable Date, all of which had been reported to the Labour Department for accidents occurred in Hong Kong or the Labour Affairs Bureau of the Macau Government for accidents occurred in Macau:–

BUSINESS

Date of the accident	Nature of the accident	Identity of the injured worker	Compensation claimed	Insurance coverage	Status as at the Latest Practicable Date <i>(Note 1)</i>
21 Nov 2011	A worker injured the top and second segment of his left middle finger when he was working at the project related to the design and construction of foundation system for a hotel development in Central, Hong Kong	Sub-contractor's employee	An employees' compensation claim of approximately HK\$27,000.00 was made.	100%	The employees' compensation claim was fully settled <i>(Note 2)</i> .
24 April 2012	A worker's waist was injured when he was working at the project related to the design and construction of foundation system for a hotel development in Central, Hong Kong	Our Group's employee	An employees' compensation claim of approximately HK\$64,000.00 was made.	100%	The employees' compensation claim was fully settled <i>(Note 2)</i> .
7 June 2012	A worker's left palm was injured when he was working at the foundation work and basement excavation project in Wong Tai Sin, Hong Kong	Sub-contractor's employee	No claim was made against our Group	No claim was made against our Group	Our Directors confirmed that the injured worker had reached a full settlement with the subcontractor by themselves.
26 June 2012	A worker's left thumb was injured when he was working at the foundation work and basement excavation project in Wong Tai Sin, Hong Kong	Sub-contractor's employee	An employees' compensation claim of approximately HK\$238,000.00 was made	100%	The employees' compensation claim was fully settled <i>(Note 2)</i> .

BUSINESS

Date of the accident	Nature of the accident	Identity of the injured worker	Compensation claimed	Insurance coverage	Status as at the Latest Practicable Date <i>(Note 1)</i>
1 September 2012	A worker alleged that his left chest wall contused with ribs fracture when he was working at the foundation work and basement excavation project in Wong Tai Sin, Hong Kong	Our Group's employee	An employees' compensation claim under sections 9, 10 and 10A of the Employees' Compensation Ordinance and section 10(5) of the Employees' Compensation Ordinance was made	Our Directors confirmed that the insurance cover maintained by us/ the main contractor would be sufficient to cover all our liabilities.	The worker had referred the case to the Legal Aid Department and as at the Latest Practicable Date, the worker had made an application to the District Court of the HKSAR against our Group for compensation under sections 9, 10 and 10A of the Employees' Compensation Ordinance, extension of entitlement for periodical payment pursuant to section 10(5) of the Employees' Compensation Ordinance, interest and cost. For details, please see the paragraphs headed "Business – Legal and Administrative Proceedings – Legal action against our Group under Employees' Compensation Ordinance, Cap 282 of the Laws of Hong Kong"
9 September 2012	A worker's calf was injured when he was working at a logistics centre project in Tsing Yi, Hong Kong	Our Group's employee	An employees' compensation claim of approximately HK\$460,000.00 was made	100%	The employees' compensation claim was fully settled <i>(Note 2)</i> .

BUSINESS

Date of the accident	Nature of the accident	Identity of the injured worker	Compensation claimed	Insurance coverage	Status as at the Latest Practicable Date <i>(Note 1)</i>
16 May 2013	A worker's left ankle was injured when he was working at the Hotel Tower Project in Macau	Sub-contractor's employee	No claim was made against our Group	No claim was made against our Group	Our Directors confirmed that the injured worker had reached a full settlement with the subcontractor by themselves.
5 March 2014	A worker alleged that he suffered a cut on his right hand near the thumb when he was working at the Hotel Casino Project in Macau	Our Group's employee	Pending	To the best knowledge and belief of our Directors, if the injured worker takes out any claim against us, our liabilities should be sufficiently covered by the insurance cover maintained by the main contractor in Macau.	For details, please see the paragraphs headed "Business-Legal and Administrative Proceedings-Potential claims and litigations against our Group as at the Latest Practicable Date"
29 April 2014	A worker alleged that his right index finger and ring finger were injured when he was working at the multi-storey logistics centre project in Tsing Yi, Hong Kong	Sub-contractor's employee	Pending	Our Directors confirmed that the insurance cover maintained by us/ the main contractor would be sufficient to cover all our liabilities.	The incident was reported to the insurer.

BUSINESS

Date of the accident	Nature of the accident	Identity of the injured worker	Compensation claimed	Insurance coverage	Status as at the Latest Practicable Date <i>(Note 1)</i>
22 May 2014	A worker alleged that his lowest segment of his right little finger was injured when he was working at the multi-storey logistics centre project in Tsing Yi, Hong Kong	Sub-contractor's employee	Pending	Our Directors confirmed that the insurance cover maintained by us/ the main contractor would be sufficient to cover all our liabilities.	The incident was reported to the insurer.
27 May 2014	A worker alleged that the top segment of his right ring finger was injured when he was working at the multi-storey logistics centre project in Tsing Yi, Hong Kong	Sub-contractor's employee	Pending	Our Directors confirmed that the insurance cover maintained by us/ the main contractor would be sufficient to cover all our liabilities.	The incident was reported to the insurer.
20 August 2014	A worker alleged that his right shoulder was injured by the lifting sling set when he was working at the multi-storey logistics centre project in Tsing Yi, Hong Kong	Our Group's employee	Pending	Our Directors confirmed that the insurance cover maintained by us/ the main contractor would be sufficient to cover all our liabilities.	The incident was reported to the insurer.

Notes:

- (1) As at the Latest Practicable Date, no claims arising from personal injury under common law in Hong Kong or under general liability rules provided for in the Macau Civil Code, as the case may be, have been made against our Group in relation to the accidents as set out in this table.
- (2) The amount of the compensation settled includes both the compensation for permanent incapacity and 80% of the salary over the period of absence, covered by the relevant insurer pursuant to the relevant insurance either maintained by our Group or by the main contractors.

BUSINESS

All the above claims for accidents happened in Hong Kong were made against us pursuant to the Employees' Compensation Ordinance. However, the compensation paid to the injured workers under the Employees' Compensation Ordinance would not exempt our liabilities under common law. It is noted that pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong), the limitation period for making a claim for personal injury is three years from the date of the relevant accident. Hence, the limitation period for the above-mentioned injured workers against us had not yet expired as at the Latest Practicable Date. As such, it is still possible for the injured workers to institute claims against us under common law. On the other hand, the compensation paid to such injured workers, if any, would be reduced by the compensation already paid to the worker under the Employees' Compensation Ordinance. Likewise, our liabilities owed to those workers who had suffered injuries in our projects in Macau would not be exempted by the employees' compensation paid to the workers under Decree Law no. 40/95/M. We may still be liable under the general liability rules provided for in the Macau Civil Code and the injured workers would be able to file a claim against us for damages resulting from the accidents within the three years from the date of the relevant accident, pursuant to the general limitation period of three years provided for under Article 491 of the Macau Civil Code. In any case, the compensation paid to such injured workers, if any, would take into account the compensation already paid under Decree Law no. 40/95/M.

Notwithstanding the above, our liabilities for causing injuries to our employees or our subcontractors' employees in Hong Kong and Macau would be sufficiently covered by the insurance either maintained by the main contractor or our Group, whether the claims are made under the Employees' Compensation Ordinance and at common law in Hong Kong or any relevant law, statute or regulation in Macau, including the Macau Civil Code. For details about our Group's liabilities for the industrial accidents causing injuries to our employees under both Hong Kong law and Macau law, please see the paragraph headed "Business – Legal and Administrative Proceedings – Our Group's potential liabilities in industrial accidents causing personal injuries" in this prospectus.

BUSINESS

The following table sets out the accident rate per 1,000 workers and fatality rate per 1,000 workers of the industry average in Hong Kong and our Group (by Hong Kong and Macau):

	Industry average (construction industry)		Our Group	
	Hong Kong (Note 1)	Macau (Note 2)	Hong Kong (Note 3)	Macau (Note 3)
Calendar year 2011				
accident rate per 1,000 workers	49.7	N/A	14.3	N/A
fatality rate per 1,000 workers	0.367	0.070	nil	N/A
Calendar year 2012				
accident rate per 1,000 workers	44.3	N/A	26.8	nil
fatality rate per 1,000 workers	0.337	0.154	nil	nil
Calendar year 2013				
accident rate per 1,000 workers	40.8	N/A	nil	nil
fatality rate per 1,000 workers	0.277	0.198	nil	nil
From 1 January 2014 up to 31 July 2014				
accident rate per 1,000 workers	<i>(Note 4)</i>	<i>(Note 4)</i>	nil	45.5
fatality rate per 1,000 workers	<i>(Note 4)</i>	<i>(Note 4)</i>	nil	nil

Notes:

- (1) This information is based on the Occupational Safety and Health Statistics Bulletin Issue No. 13 (June 2013) and No.14 (July 2014) published by Occupational Safety and Health Branch, Labour Department.
- (2) The Statistics and Census Service and the Labour Affairs Bureau of the Macau Government did not publish construction industry average of accident rate of work sites in Macau calculated on the same basis as set out in Note 3 below. As such, no comparison was made between our Group's accident rate in Macau and the construction industry average in Macau.

The fatality rate for Macau is based on publications issued by the Labour Affairs Bureau of the Macau Government for 2011, 2012 and 2013. Relevant data for the period from 1 January to 31 July 2014 has not been published as at the Latest Practicable Date.
- (3) Our Group's accident rate is calculated as the occurrence of accidents divided by the daily average construction site workers in our Group's construction sites during the year. The daily average construction site workers only consisted of employees of our Group.
- (4) Relevant data for the period from 1 January to 31 July 2014 has not been published as at the Latest Practicable Date.

For the calendar years 2011, 2012, 2013 and the period from 1 January 2014 up to 31 July 2014, our Group recorded no fatal injuries at our construction sites. In each of the calendar year 2011, 2012 and 2013, the accident rate at our construction sites was lower than the industry average in Hong Kong. Our Directors have confirmed that during the Track Record Period, our Group has complied in all material aspects with all laws, rules and regulations relating to health and safety and that the Group has not been investigated or received any official complaints or sanctions by any relevant authorities, in respect of any violation of applicable laws or regulations in respect of health and safety.

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

For the year ended 31 March 2012	nil
For the year ended 31 March 2013	2,731.0
For the year ended 31 March 2014	378.3
Subsequent to the Track Record Period and up to 31 July 2014	nil

BUSINESS

Notes:

- (1) LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries in terms of loss days of our Group that occurred during the relevant financial year by 1,000,000 and then dividing by the number of hours worked by our construction site workers over the same financial year/period. It is assumed that the working hour of each worker is 10 hours per day. The number of working days for each of the three years ended 31 March 2014 and the subsequent period up to 31 July 2014 were approximately 302 days, 300 days, 301 days and 101 days respectively.
- (2) Only employees of our Group are included in the LTIFRs shown above. Given our Group is not responsible for (i) the engagement of the workers of our subcontractors; or (ii) determining the number of hours or workers employed to carry out the subcontractors' works and the subcontractors did not provide our Group with the number of hours used to complete the subcontracted works (i.e. the denominator or the LTIFR), the LTIFR for the subcontractors' workers employed for our Group's projects cannot be calculated. The number of accidents recorded involving the workers of our subcontractors for our projects for each of the three years ended 31 March 2014 and the subsequent period up to 31 July 2014 were one, two, one and three respectively. The loss days of the workers of our subcontractors for our projects for each of the three years ended 31 March 2014 and the subsequent period up to 31 July 2014 were 67, 214, 35 and 192 respectively.

A summary of litigation and arbitration proceedings against our Group during the Track Record Period and up to the Latest Practicable Date and potential claims and litigations against our Group as at the Latest Practicable Date, including those related to industrial accidents, is set out under the paragraph headed "Business – Legal and Administrative Proceedings" in this prospectus and details in respect of insurance maintained for our employees are set out under the paragraph headed "Business – Insurance – employees" in this prospectus.

Staff training

Our staff receive training to enable them to acquire the prerequisite skills and knowledge on health and safety related procedures before they are assigned to carry out foundation works and ancillary services on sites. During the course of a project, our QSEM will supervise, instruct and provide training to the site workers, as and when considered necessary, to ensure that they comply with all health and safety regulations.

BUSINESS

Work sites and machinery and equipment

Our QSEM is responsible for ensuring that all the relevant health and safety requirements as contained in the regulations and legislations are met, and that the health and safety policies designed by our Group are properly implemented and complied with. Our QSEM will report to our management team on any health and safety issues identified.

In addition, all potential and actual suppliers and subcontractors are evaluated to assess their abilities to meet our Company's health and safety requirements.

Our Group also performs regular maintenance checks on the machinery and equipment since our Group regards regular maintenance as an important element to ensuring safety at the works sites. We conduct safety tests on our machinery and equipment periodically.

Insurance – machinery and equipment

For machinery and equipment acquired under finance leases or under mortgages, the financiers typically require us to maintain insurance coverage over those machinery and equipment.

Insurance – employees

It is a legal requirement for the employer or main contractor of a construction project to take out employees' compensation insurance and employer's/contractor's all risks insurance for the entire construction project, which covers employees of the main contractor and subcontractors of all tiers, and works performed by them.

All projects undertaken by us and the relevant employees are respectively protected by contractors' all risks and employees' compensation insurances which, depending on the terms of the relevant contracts, are taken out either by the main contractors or us.

During the Track Record Period, when acting as a subcontractor or a sub-subcontractor, we did not take out separate insurance policies but relied on the insurance policies taken out and maintained by the relevant main contractors. Our reliance on the main contractors' insurance policies was explicitly provided for in the relevant subcontracting agreements.

Taking into account the industry practice and the insurances taken out by our Group as stated above, our Directors believe that we have obtained adequate insurance coverage for the operation of our business.

Quality assurance

Our Group emphasises our ability to deliver quality work on time and within our pre-determined project budget. To execute the quality assurance policy of our Group, we have maintained a quality management system which follows the ISO 9001 standards, and in particular, SW Bore Pile, our wholly-owned subsidiary, has been ISO 9001 certified since 2004 for the design and the construction of large diameter bored piles (with bell-out) and rock socketed steel H-piles in pre-bored holes. The current ISO 9001:2008 certificate (as revised and amended from ISO 9001:2000) is valid from 25 October 2011 until 25 October 2014.

Our Group implements a quality management system which covers the design and construction of large diameter bored piles (with bell-out) and rock socketed steel H-piles in pre-bored holes.

Quality assurance functions are performed throughout the foundation works process from the construction materials procurement stage to the completion stage to ensure that the foundation works and ancillary services meet the standards required by each customer.

Foundation works and ancillary services quality control

The deployment of machinery and equipment as well as the qualification of personnel involved in a particular project is subject to the project site, the nature and complexity of the project and the availability of the resources at the time. Prior to the commencement of our on-site foundation works, a project team will be formed to formulate an inspection and test plan based on our scope of works under the foundation works and ancillary services contract. The project team will review the contractual specifications against the pre-set criteria in the inspection and test the plan throughout the stages of each project where our Group is a main contractor. We also conduct various tests on all piles to ensure that they are in compliance with the relevant contractual requirements.

Upon completion of pile construction, our Group will conduct various applicable tests on all piles based on the relevant contractual requirements and ensure full compliance with customer requirements. Our Group may also be required to submit piling records and record plans, setting out the details of each pile constructed, to our customers for their testing and inspection, subject to, among others, the terms and conditions of the contracts.

Environment

Our Group also places an emphasis on environmental protection when undertaking our foundation works and ancillary services. In recognition of the policies and procedures undertaken by our Group to address potential environmental issues with its foundation works and ancillary services, in particular, large diameter bored piles (with bell-out) and rock socketed steel H-piles in pre-bored holes, our Group was awarded the ISO 14001:2004 (environment management system accreditation) in 2008. The current ISO 14001:2004 certificate is valid from 4 November 2011 until 4 November 2014.

BUSINESS

Prior to the submission of tender document or quotation for foundation works and ancillary services projects, we will review the relevant contracts to ensure that all of the potential customer's environmental protection requirements are identified and assess whether our Group has the capability to meet such requirements. In addition, our business is also subject to certain laws and regulations in relation to environmental protection. Please refer to the section headed "Laws and Regulations" in this prospectus.

During the Track Record Period, the aggregate annual cost of compliance with applicable environmental laws and regulations in Hong Kong and Macau was approximately HK\$1.0 million, HK\$3.7 million and HK\$3.3 million respectively, and primarily consisted of transportation costs and dumping charges. Our Group expects that the costs to be incurred for compliance with applicable environmental laws, rules and regulations will increase for the year ending 31 March 2015 primarily due to the size of our foundation works and ancillary services contracts on hand. During the Track Record Period, our Group has not been prosecuted by any governmental authority for any purported breach of any applicable environmental laws and regulations.

Our QSEM is responsible for identifying and reporting on environmental issues to our management team as well as ensuring that our Group satisfies all the relevant environmental statutory requirements.

Technical developments

In order to improve our Group's existing products and to develop new methods to capture more market share in the industry, our Group is dedicated to conducting research to develop better foundation construction methods. Mr. Lau, with the support of members of our management team, has been involved in the technical development of our Group. They will first identify the areas in the foundation construction processes that require improvement and subsequently conduct research on and seek to develop new methods of carrying out that part of the work or process.

For example, in September 2001, Mr. Lau with the support of members of our management team developed a new method known as the "Water-absent Concreting Apparatus and its Method". The patent was granted by the Patents Registry in Hong Kong on 15 March 2002. We believe it has enabled our Group to consistently maintain its product quality and has strengthened our Group's competitiveness and strategic position within the industry. The patent has since expired.

Mr. Lau, with the support of members of our management team, continued to research and develop new foundation construction methods. Subsequently, (i) on 25 January 2010, Worldwide Profit filed a short-term patent application on "Concreting Equipment and Method Thereof" with the Patents Registry in Hong Kong, which was granted on 7 May 2010; and (ii) on 25 January 2010, 16 December 2011 and 28 January 2013, Worldwide Profit filed a patent application on "Concreting Apparatus and its Method" with the Patent Office of the PRC, Patents Registry in Hong Kong, and Macao Economic Services in Macau, respectively.

On 25 July 2012, Worldwide Profit assigned the short-term patent of the "Concreting Equipment and Method Thereof" to SW Foundation Group, an indirect wholly-owned subsidiary of the Company, at HK\$10.0 consideration. Such short-term patent was renewed on 25 October 2013 and will be due for renewal on 25 January 2018. Details of the short-term patent are set out in the paragraph headed "Statutory and General Information – Further information about the business of our Group – Intellectual property rights of our Group" in Appendix IV to this prospectus.

BUSINESS

In relation to the patent application on “Concreting Apparatus and its Method”, Worldwide Profit entered into an assignment on each of 28 December 2012, 25 July 2012 and 30 April 2013, pursuant to which, the patent application on “Concreting Apparatus and its Method” filed in the PRC, Hong Kong and Macau were assigned to SW Foundation Group at a consideration of nil, HK\$10.0 and HK\$10.0, respectively.

By a letter from the State Intellectual Property Office of the PRC (the “SIPO”), the SIPO indicated, inter alia, that there was insufficient evidence which could demonstrate that the invention under the PRC patent application had the creativity which would entitle the invention to have a patent right. We had submitted our reply and provide additional information in response to SIPO’s letter. SIPO’s final decision to our PRC patent application was still pending as at the Latest Practicable Date.

Concreting Equipment and Method Thereof and Concreting Apparatus and its Method

Concrete is the major component of a bored pile apart from steel. It follows that the quality of concrete is crucial to the ultimate performance of a bored pile. Our Directors are of the view that since concrete has to be placed in an underwater condition in the bored pile construction process, the method of placing of concrete is critical. Our Directors consider that one of the common causes of defective concrete in a bored pile is caused by water mixing into the concrete during the placing of the concrete, which is detrimental to the strength of the concrete. In view of the above, Mr. Lau, with the support of members of our management team researched the methodology of placing concrete and developed the “Concreting Equipment and Method Thereof” as a suitable method to ensure the quality of the concrete for construction of bored piles.

The “Concreting Equipment and Method Thereof” and the “Concreting Apparatus and its Method” were developed with the aim to prevent water from flowing into the conduit when concrete is initially poured. Both methods involve the use of various items of equipment, including a conduit used for concrete pouring, a funnel-shaped device connected to one end of the said conduit, an opening-sealing device and another device to control the upward and downward movement of the conduit, thus mitigating the problem of defective concrete in a bored pile as detailed above.

BUSINESS

INTELLECTUAL PROPERTY

Trademarks

We own registered trademarks for each of our logo and our brand name in Hong Kong. We consider our logo and brand name to be important to our business since they develop brand identification and awareness. We believe that the name recognition, reputation and image that we have developed is attractive to our customers and business partners. It is our intent to maintain our trademark registration.

Patent

As at the Latest Practicable Date, our Group owned one short-term patent in relation to our operations in Hong Kong, namely the “Concreting Equipment and Method Thereof” patent. The registration of the patent on “Concreting Apparatus and its Method” has been applied in the PRC, Hong Kong and Macau, respectively and was pending approval as at the Latest Practicable Date. Our Group’s application for registration on “Concreting Apparatus and its Method” in Hong Kong is a standard patent application. For further details, please refer to information set out under “Business – Technical developments” above and the paragraph headed “Statutory and General Information – Further information about the business of our Group – Intellectual property rights of our Group” in Appendix IV to this prospectus.

Domain name

As at the Latest Practicable Date, we had registered the following domain name, details of which are set out below:

samwoo-group.com

Save as disclosed under the paragraph headed “Business – Intellectual Property” in this prospectus above, our business or profitability is not dependent on any patent or licence or other intellectual property rights. As at the Latest Practicable Date, we had not engaged in, and were not aware of, any litigation or legal proceedings for violation of intellectual property rights or any material violation.

EMPLOYEES

Set out below is the number of full-time employees by type of our Group as at the end of each financial year:

	As at 31 March		
	2012	2013	2014
Number of staff			
Management (excluding Directors)	5	5	5
Project management	8	9	15
Construction workers	53	69	186
Maintenance personnel	31	20	27
Administration and operations	13	17	19
Total	110	120	252

BUSINESS

Our Directors believe that the relationship and co-operation between our management team and our employees has been good and we have not experienced any incidence of work stoppage or labor disputes during the Track Record Period.

We believe that our employees are important assets to our Group. They are normally subject to a three-months 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. Our Directors confirmed that our Group has not encountered difficulty in staffing our foundation works and ancillary services projects which led to material delays to these foundation works and ancillary services projects during the Track Record Period.

We also place an emphasis on the continuing education and training of our staff. In particular, we focus on training our management and key personnel to develop their management and decision making abilities to enhance their work performance. We encourage a culture of learning and education in our Group and provide our site workers with on the job training.

The remuneration package we offer to our employees includes salary, discretionary bonuses and allowances. In general, we determine employee salaries based on the individual's qualifications, position and performance (where applicable). We have designed an appraisal system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions. During the Track Record Period, our Directors' emoluments (including salaries, Directors' quarters and employer's contribution to pension scheme) amounted to approximately HK\$2.8 million, HK\$4.4 million and HK\$4.7 million, respectively.

In relation to the staffing arrangements of the Hotel Tower Project, our Group entered into an agreement with our customer, pursuant to which our Group managed, for and on behalf of our customer, the construction workers for such project. These construction workers consisted of a combination of Macau and non-Macau residents. Each of the non-Macau residents has obtained a work permit issued by the Human Resources Office of the Macau Government. Based on the advice of the Macau Legal Adviser, our Directors confirm that the staffing arrangements in connection with the Hotel Tower Project were conducted on the basis of full compliance with the applicable employment laws or regulations of Macau.

The Hotel Casino Project is staffed through a combination of Macau and non-Macau residents. During the course of the Hotel Casino Project and where required by the laws of Macau, the construction workers who are non-Macau residents obtained the relevant work permits issued by the Human Resources Office of the Macau Government.

In connection with the Composite Development Project, we intend to staff such project through a combination of Macau and non-Macau residents, which is similar to the staff arrangements under the Hotel Casino Project as set out above.

We prohibit the recruitment of illegal workers in our offices or at the sites for which we are responsible by checking the identification documents provided by the candidates. We will report to the police when we come across any candidate with suspicious identity. During the Track Record Period, no illegal workers have been reported in the sites for which we are responsible for workers' arrangement. We require our subcontractors to check the identification documents of their workers to ensure that no illegal workers are hired to work in the sites for which we are responsible.

BUSINESS

Based on the advice of our Hong Kong Legal Adviser and Macau Legal Adviser as to the employment law in Hong Kong and Macau, our Directors confirm that our Group has complied with all the applicable employment laws, rules and regulations in Hong Kong and Macau as of the Latest Practicable Date respectively.

PROPERTIES

We do not own any property and lease all of the premises occupied by us. As at the Latest Practicable Date, we had seven and 29 leased properties located in Hong Kong and Macau, respectively.

In connection with the seven leased properties in Hong Kong, one of these properties is occupied by us as our office, five of these properties (including four car parking spaces) are leased by our Group as Directors' quarters, while the remaining one is occupied by us for storage of machinery and equipment. Save for the property occupied by us as our office, the other six leased properties are leased from connected persons of our Group, the details of which are set out under the section headed "Connected transactions and waiver" in this prospectus.

In connection with the 29 leased properties located in Macau, save for one property which is used as our office in Macau, all of which are occupied by construction workers of our Group for our projects in Macau.

COMPLIANCE

Based on the advice of our Hong Kong Legal Adviser as to the applicable laws and regulations related to provision of foundation works and ancillary services in Hong Kong, our Directors confirm that our Group had obtained all the registrations and certifications required for the projects undertaken by our Group in Hong Kong during the Track Record Period. Based on the advice of the Macau Legal Adviser, our Directors confirm that our Group has obtained all the registrations and certifications required for the projects undertaken by our Group in Macau during the Track Record Period.

NON-COMPLIANCE WITH THE PREDECESSOR COMPANIES ORDINANCE

Pursuant to section 122 of the Predecessor Companies Ordinance, the directors of a Hong Kong company must cause the profit and loss account and balance sheet to be prepared and laid before the company and its shareholders at its annual general meetings. Such accounts shall be made up to a date falling not more than nine months before the date of the meeting or six months if such company belongs to a listed group.

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A number of our subsidiaries incorporated in Hong Kong had inadvertently failed to comply with the aforementioned statutory requirements on various occasions, details of which are summarised in the following table:

Name(s) of our subsidiaries	Details of the non-compliance	Relevant period of the non-compliance	Maximum penalty for each instance of non-compliance	Reasons for the non-compliance
SW Construction	Failure to lay audited accounts made up to a date falling not more than nine months/six months (as the case maybe) under section 122 of the Predecessor Companies Ordinance (now Section 431 of the Companies Ordinance) (the “Accounts-related Non-compliance Matters”)	SW Construction (2007-2010)	Fine of HK\$300,000 and 12 months imprisonment	The directors of the relevant subsidiaries had overlooked the relevant requirements for financial statements to be laid and approved in annual general meeting within the prescribed time frame under the Predecessor Companies Ordinance. This was an inadvertent oversight on the part of the management at the time
SW Civil Contractors		SW Civil Contractors (2007-2010)		
SW Foundation		SW Foundation (2007-2010)		
SW Offshore Engineering		SW Offshore Engineering (2007-2010)		
SW Finance		SW Finance (2007-2010)		
SW Civil Works		SW Civil Works (2007-2010)		
SW Construction & Engineering		SW Construction & Engineering (1995-1999, 2007-2010)		
SW Bore Pile		SW Bore Pile (1990-1992, 1994, 2007)		
SW Engineering Equipment		SW Engineering Equipment (1994, 2007-2010)		

Upon identification of the aforementioned instances of non-compliances, the directors of the relevant subsidiaries had on 17 January 2013 applied to the Court of First Instance of the High Court of Hong Kong (the “**Court of First Instance**”) for an order to extend the time of financial statements already laid by our relevant subsidiaries in the annual general meetings beyond the six months or nine months period (as the case may be) of the respective accounting year end pursuant to section 122 of the Predecessor Companies Ordinance. On 14 March, 25 March and 10 July 2013, the Court of First Instance granted orders pursuant to section 122 of the Predecessor Companies Ordinance as referred to above. Following the granting of the Court orders, all the non-compliances within section 122 of the Predecessor Companies Ordinance had been rectified as at the Latest Practicable Date.

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Preventive Measures

We have adopted/will adopt the following measures to avoid future occurrences of the Accounts-related Non-compliance Matters:

- (1) upon Listing, we will establish an audit committee for ensuring compliances with the relevant statutory and regulatory requirements. The audit committee will be empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control and/or other matters;
- (2) when necessary, we will engage external professionals, including auditors, external legal adviser(s) and other advisers to render professional advice as to compliances with statutory and regulatory requirements as applicable to our Group from time to time. Upon Listing, we will also appoint a compliance adviser to advise our Group on compliance matters in accordance with the Listing Rules; and
- (3) our Directors and other members of the senior management of our Group have attended trainings conducted by our Company's Hong Kong legal adviser on the on-going obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance and the Listing Rules.

Our Directors are of the view that the internal control measures adopted by our Group are adequate and effective in reducing the risk of future non-compliance with the legal and regulatory requirements in Hong Kong and consider that the non-compliance incidents set out above do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and our suitability for listing under Rule 8.04 of the Listing Rules. Having considered the above preventive measures, the Sponsor concurred with our Directors' view that our internal control measures are adequate and effective and the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and our suitability for listing under Rule 8.04 of the Listing Rules.

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LEGAL AND ADMINISTRATIVE PROCEEDINGS

We set out below a summary of litigation and arbitration proceedings against our Group which took place during the Track Record Period and up to the Latest Practicable Date:

Legal actions among Chung Yuen Yee, the Administratrix of the estate of Lai Wing Kee, deceased (as Plaintiff), SW Bore Pile (as 1st Defendant), SW Engineering Equipment (as 2nd Defendant), SW Construction (as 3rd Defendant) and Sam Woo Ship Building Limited (as 4th Defendant) (the 1st Defendant, 2nd Defendant, 3rd Defendant and 4th Defendant are collectively referred to as the “Defendants”)

Chung Yuen Yee (“**Plaintiff Chung**”) is the widow and administratrix of Lai Wing Kee, the deceased (the “**Deceased**”) who passed away in an industrial accident (the “**Industrial Accident**”) in July 2004 when the Deceased was employed by SW Engineering Equipment as a crane operator and engaged in helping a crane driver to lift a heavy forklift truck onto the back of a lorry. It was noted that the forklift truck subsequently fell and the Deceased was crushed under the weight of the falling truck. Our Group owned the forklift truck and the lorry at the material time.

On 4 July 2005, Plaintiff Chung instituted legal proceedings in the District Court of HKSAR (the “**District Court Application**”) against SW Bore Pile and SW Engineering Equipment for, *inter alia*, compensation pursuant to the Employees’ Compensation Ordinance (Cap. 282 of the Laws of Hong Kong).

The legal proceedings had escalated to the Court of First Instance of the High Court of HKSAR (the “**Court of First Instance**”), the Court of Appeal of HKSAR (the “**Court of Appeal**”) and the Court of Final Appeal of HKSAR (the “**Court of Final Appeal**”) with respect to mainly (i) the liability of each Defendant; (ii) the Deceased’s contributory negligence; and (iii) the apportionment of liability amongst the four Defendants. The Defendants were successful on their allegation of contributory negligence on the part of the Deceased before the Court of First Instance but such finding was subsequently overturned by the Court of Appeal. On the other hand, the Court of Final Appeal allowed the appeals of SW Bore Pile, SW Construction and Sam Woo Ship Building Limited and had therefore dismissed all claims against them by Plaintiff Chung.

As concerns the Court of Final Appeal’s judgment on costs handed down on 3 June 2014, it was ordered, *inter alia*, that SW Engineering Equipment, being the 2nd Defendant in the proceedings, shall pay (i) Plaintiff Chung’s costs of her appeal to the Court of Final Appeal and in the courts below (i.e. the District Court, the Court of First Instance and the Court of Appeal); (ii) SW Bore Pile, SW Construction and Sam Woo Ship Building Limited (a) two thirds of their costs in defending Plaintiff Chung’s claim in the courts below; (b) their costs of the appeal before the Court of Final Appeal; and (c) their cost in the courts below on the issue of apportionment of liability amongst the Defendants. On the other hand, SW Bore Pile, SW Construction and Sam Woo Ship Building Limited were ordered to pay the costs of Plaintiff Chung and SW Engineering Equipment on their cost applications in the Court of Final Appeal.

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As at the Latest Practicable Date, our Group could not ascertain the amount of costs payable by SW Engineering Equipment to Plaintiff Chung, SW Bore Pile, SW Construction and Sam Woo Ship Building Limited. Our Directors take the view that all the costs to be borne by SW Engineering Equipment in the Court of Final Appeal and the courts below in these proceedings shall be sufficiently covered by the relevant insurance maintained by SW Engineering Equipment and thus, SW Engineering Equipment's entire conduct of its defence against Plaintiff Chung's claims in these proceedings was taken up by the insurer. Notwithstanding the insurance cover maintained by SW Engineering Equipment, pursuant to the Deed of Indemnity, if (i) there is any shortfall between the indemnity payment by the insurer and the actual amount of costs liable by SW Engineering Equipment in these proceedings; and (ii) there is any outstanding costs liable by our Group before the Listing Date, our Controlling Shareholders have, among others, irrevocably and unconditionally undertaken to make up such shortfall and pay the outstanding costs on demand. Details of the Deed of Indemnity are set out in the paragraph headed "Statutory And General Information – Other Information – Estate duty, tax indemnity and other indemnities" in Appendix IV to this prospectus.

Completed legal proceeding during the Track Record Period

On 12 November 2008, SW Bore Pile commenced a legal action in the High Court of HKSAR against a customer which was a construction company and had, in its capacity as the main contractor in a project, engaged us to carry out bored piling works as a subcontractor in Hong Kong. In the said legal action, SW Bore Pile claimed the customer for "extension of time" entitlements relating to the said piling subcontract.

Subsequent to the legal action taken out by SW Bore Pile, the said customer instituted a separate legal action against SW Holdings in relation to the said project.

On 11 November 2011, SW Bore Pile, the customer and SW Holdings entered into a settlement agreement for full and final settlement of these two legal proceedings. The said deed of settlement imposed an obligation on the parties thereto that the contents of the agreement can only be disclosed under limited circumstances on a confidential basis. Hence, we are generally not allowed to disclose any of the contents of the said deed of settlement in this prospectus.

Completed arbitration proceeding during the Track Record Period

During the Track Record Period, our Group arrived at a settlement with a customer in an arbitration proceeding concerning a dispute between our Group and that customer on the amount of final account of a project. In the said arbitration proceeding, we claimed against the customer for "extension of time" entitlements on the grounds that the delay was caused by the customer. Our Group subsequently settled the dispute with the customer by entering into a deed of settlement and as a result of which, the arbitration proceeding was discontinued. Owing to the terms of the settlement deed and the relevant arbitral laws and regulations, the terms of the settlement deed shall be kept confidential and hence, we are not allowed to disclose any detail about the deed of settlement in this prospectus.

Ongoing arbitration proceedings

During the Track Record Period and as at the Latest Practicable Date, our Group was engaged in two arbitration proceedings in Hong Kong. Owing to the relevant terms of the contracts between us and the counter parties in the arbitration proceedings, the Arbitration Ordinance (Chapter 609 of the Laws of Hong Kong) and the relevant arbitral rules, all information about the arbitrations must remain confidential.

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Taking into account the respective amount contested in these two arbitration proceedings and the nature of the arbitration proceedings, our Directors are of the views that these two arbitration proceedings do not have any material financial and operational impact on our Group. On the other hand, pursuant to the Deed of Indemnity, our Controlling Shareholders have irrevocably and unconditionally, jointly and severally, agreed to indemnify our Group against, among others, all loss and damages arising from these arbitration proceedings before the Listing Date.

Legal actions among Wu Hon Hing (deceased) and SW Foundation (Macau)

Wu Hon Hing (deceased) was an employee of SW Foundation (Macau) who allegedly suffered a heart attack while resting in one of our construction sites in Macau and passed away. This incident may constitute a work-related accident in Macau. As of 5 March 2014 SW Foundation (Macau), being Wu Hon Hing (deceased)'s employer at the material time, was named as a defendant in the Special Labour Proceedings (Work Accident) running its regular terms in the Macau First Labour Court of the Macau Court of First Instance. According to the Macau Legal Adviser, the designation of SW Foundation (Macau) as a defendant, as well as that of the labour insurance company, is automatic and regardless of whether SW Foundation (Macau) having been summoned to any court proceedings, which will or will not happen at a later stage.

The above proceedings, which are provided for under articles 44 ff. of the Macau Labour Procedure Code, specifically concern fatal work-related accidents and are civil in nature. The proceedings are subject to investigation secrecy (i.e. while the existence of such proceedings is public the contents and particulars of the court case are confidential under the principle of secrecy of judicial inquiries) and still in a very early stage of analysis by the Macau Public Prosecutors' Office. According to the Macau Legal Adviser, the proceedings may be provisionally dismissed for five years if no legal beneficiaries of the compensation for the death of Wu Hon Hing (deceased) come forth and may be reopened if such beneficiaries present themselves. The five-year period corresponds to the period of time during which the beneficiaries may claim indemnification for the death of Wu Hon Hing (deceased). After the said five years have passed and no beneficiaries having made such a claim, the case will be reopened and the Macau Social Security Fund will be notified to exercise its rights, if any. If no rights are to be exercised, the case will be definitively dismissed. Otherwise, if the beneficiaries do appear in court when being summoned, there will be a conciliatory phase where it will be possible for all parties to reach an agreement in respect of, among others, the nature of the accident and the amount of compensation to be paid to the beneficiaries. Should there be no agreement between the parties, the case will proceed to an actual litigation and at which point the Defendant(s) will be entitled to present its/their defence and the court's decision will be appealable to the second tier court.

Legal action against our Group under Employees' Compensation Ordinance (Cap.282 of the Laws of Hong Kong)

An employee of our Group, who alleged that his left chest wall was contused with ribs fracture when he was working at the "foundation works and basement excavation project" in Wong Tai Sin in Hong Kong, had made an application to the District Court of HKSAR under the Employees' Compensation Ordinance on 27 August 2014 against our Group for, inter alia, compensation under sections 9, 10 and 10A of the Employees' Compensation Ordinance and for extension of entitlement for periodical payment pursuant to section 10(5) of the Employees' Compensation Ordinance. Since the claim will be handled by the lawyer appointed by the relevant insurer, our Group is not in a position to assess

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the likely quantum of such potential claim. Our Directors confirmed that the insurance cover maintained by us in relation to the industrial accident happened to this employee would be sufficient to cover all our liabilities in this legal proceeding.

Potential claims and litigations against our Group as at the Latest Practicable Date

Our Directors confirmed that a total of twelve workers were injured in the course of work with our Group in Hong Kong and Macau during the Track Record Period and up to the Latest Practicable Date. Five of them were our employees and seven of them were our subcontractors' employees.

As at the Latest Practicable Date, out of these twelve injured workers, two of our employees and four of our subcontractors' employees had settled their claims with the respective insurers of the relevant foundation works projects under applicable employees' compensation laws in Hong Kong or Macau. Notwithstanding that these six injured workers had settled their claims against us under applicable employees' compensation laws, these six injured workers can still claim against us for damages arising from the personal injuries within three years from the date of the relevant accident under common law in Hong Kong or under general liability rules provided for in the Macau Civil Code in Macau, as the case may be. It is noted that as at the Latest Practicable Date, the said 3-year limitation period for these six injured workers for damages in this respect had not yet expired.

Amongst the remaining six injured workers, none of them had reached any term of settlement with the insurers concerned as at the Latest Practicable Date. Our Directors confirmed that as at the Latest Practicable Date, one employee of our Group who suffered personal injuries in Macau had reported the case to the Macau Labour Affairs Bureau, but up to the Latest Practicable Date, we were not summoned to any court proceeding in Macau. On the other hand, one injured worker who was our employee had made an application to the District Court of HKSAR against us for compensation under Employees' Compensation Ordinance, and the details of which are set out in the preceding paragraphs.

Hence, as at the Latest Practicable Date, four injured workers were still in negotiation with the insurers and had not filed or made any application to any court in Hong Kong or Macau against our Group for either employees' compensation or for damages arising from personal injuries under common law in Hong Kong or under general liability rules provided for in the Macau Civil Code in Macau, as the case may be. Even if there is any claim against us, the claim will be handled by the lawyer appointed by the relevant insurer. Thus, our Group is not in a position to assess the likely quantum of such potential claims. In any event, our Group has insurance cover (consisting of both employee compensation insurance and contractor's all-risks insurance) maintained either by the main contractor or ourselves to cover our liabilities in respect of any claim for personal injuries suffered by our employees or the employees of our subcontractors and as at the Latest Practicable Date, such insurance policies are valid and subsisting and the respective insurers have been notified of the above-mentioned accidents.

Save as disclosed under the paragraph headed "Business – Legal and Administrative Proceedings", as at the Latest Practicable Date, no member of our Group nor any of our Directors was subject to any claim, litigation, arbitration, bankruptcy or receivership proceedings, which is of material importance to our Group. Save for those potential claims set out above, our Group or any of our Directors is not threatened by any potential claim, litigation, arbitration, bankruptcy or receivership proceeding, which is of material importance.

Our Group's potential liabilities in industrial accidents causing personal injuries

As opined by our Hong Kong Legal Advisers, our Group's potential liabilities in the industrial accidents causing injuries to our employees in Hong Kong would include liabilities related to (i) claims of employee compensation under the Employees' Compensation Ordinance (which gives the employees the right to compensation for, among others, injuries caused by accidents arising in the course of

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employment); and (ii) claims of personal injury under common law (which gives employees the right to sue for damages for injuries caused by an employer's negligence, breach of statutory duty or other wrongful act or omission). As opined by the Macau Legal Adviser, our Group's potential liabilities in the industrial accidents causing injuries to our employees in Macau would include liabilities related to (i) claims of employee compensation under Decree Law no. 40/95/M (which gives employees the right to compensation for, among others, injuries caused by accidents arising in the course of employment); and (ii) claims of compensation for personal injury under the Macau Civil Code (which gives employees the right to sue for moral damages for injuries caused by an employer's negligence or wrongful act or omission).

COMPETITION

Our Directors believe that competition in the foundation industry is not as intensive as that in other parts of the construction industry as the barrier of entry is relatively high due to the requirement of specialist knowledge and specialised machinery and equipment. Notwithstanding the above, the foundation industry in Hong Kong and Macau host a number of participants, including (i) 134 Buildings Department Registered Specialist Contractors for the Foundation Category; and (ii) 801 construction contractors registered with the DSSOPT, as at the Latest Practicable Date. In addition to the abovementioned registrations, there are also other relevant registrations, as set out below.

Requirements for contractor registration

Hong Kong

Foundation contractors are required to be registered with the Buildings Department as registered specialist contractors under the foundation category if the foundation contractors are to undertake private sector foundation works in Hong Kong. If the registered specialist contractor intends to carry out foundation works in the public sector in Hong Kong, in addition to the registration with the Buildings Department as a registered specialist contractor under the foundation category, the foundation contractor must also be registered with the relevant Government departments or public organisations.

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Through SW Bore Pile, a principal operating subsidiary, our Group is (i) an approved supplier of materials and specialist contractor for public works – land piling (Group II), large diameter bored pile (with bell-out) with the Development Bureau; (ii) a piling contractor under the large diameter bored piling category with the Housing Authority; and (iii) a registered specialist contractor under the foundation works category with the Buildings Department. SW Foundation (Macau), the operating subsidiary of our Group in Macau, is approved by the DSSOPT as a construction contractor in Macau.

Please refer to the section headed “Laws and regulations – Public Sector Construction Projects in Hong Kong” in this prospectus for further details.

The following table sets out the relevant licence or registration in Hong Kong which our Group, through SW Bore Pile, is approved for:

Registration/Listing	Period of validity
Development Bureau Specialist List (Group II) in large diameter bored pile (with bell-out)	<i>Note 1</i>
Housing Authority List of Piling Contractors (large diameter bored piling category) – Probation	<i>Note 2</i>
Buildings Department Registered Specialist Contractor – Foundation Category	7 June 2012 to 7 June 2015

Notes:

- (1) Listing with the Development Bureau does not have any expiry date. The specified maximum contract value in respect of the Development Bureau Specialist List (Group II) in large diameter bored pile (with bell-out) under Land Piling is unlimited. For retention on the “List of Approved Suppliers of Materials and Specialist contractors for Public Works”, a contractor should generally possess at least a positive capital value and is required to maintain certain minimum levels of employed and working capital applicable to the appropriate category and group. SW Bore Pile, which belongs to Group II of the “Land Piling” category, is required to have a minimum employed capital of HK\$9.3 million and a minimum working capital of HK\$8.6 million.
- (2) Listing with the Housing Authority is subject to annual review for retention. Based on the “Guide to Registration of Works Contractors and Property Management Services Providers” published by the Housing Authority, (i) contractors of the large diameter bored piling category are eligible to tender for contracts of unlimited values using the pile type belonging to its category provided such pile type is an acceptable pile type for the contracts; and (ii) contractors of the large diameter bored piling category are also eligible to tender for contracts of unlimited values using a pile type not belonging to the percussive pile category and the large diameter bored pile category provided that such pile type is an acceptable pile type for the contracts.

A contractor on probationary status shall be restricted to undertake not more than two contracts at any one time.

- (3) The relevant registration with the Buildings Department does not specify any tender limit.

During the Track Record Period, approximately 100.0%, 89.2% and 7.6% of our foundation works and ancillary services related revenue were derived from projects based in Hong Kong, respectively. Based on the information set out in the Ipsos Report which has been summarised in section headed “Industry Overview” in this prospectus, our Group’s market share of the piling and related foundation works in Hong Kong for 2013 was insignificant.

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Macau

In Macau, contractors undertaking construction works are required to be registered as a construction contractor with the DSSOPT. Our registration, through SW Foundation (Macau), with the DSSOPT will expire on 31 December 2014. According to the Macau Legal Adviser, there were no legal impediment for SW Foundation (Macau) to renew its registration with the DSSOPT as at the Latest Practicable Date. As at Latest Practicable Date, including our Group, there were 801 construction contractors on the list published on the website of DSSOPT.

According to the Ipsos Report, our Group's market share of the piling and related foundation works in Macau for 2013 was approximately 8.9%.

Entry barriers

According to the Ipsos Report that the foundation works and ancillary services business, is capital intensive. Accordingly, it requires substantial initial and continual capital for setting up and maintaining machinery and equipment, thus creating a barrier to entry in the foundation industry. With our own machinery and equipment and specialist knowledge, our Directors believe that our Group is in a competitive position in the Hong Kong and Macau foundation industry.

CONNECTED TRANSACTIONS AND WAIVER

Following the Listing, the following transactions will continue between our Group and the relevant connected persons, which will constitute continuing connected transactions for our Company under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL

Tenancy Agreements

Leasing of storage property

On 16 September 2009, SW Bore Pile as tenant and Cheer Crown as landlord entered into a tenancy agreement (the “**First CC Tenancy Agreement**”) for the leasing of a property situated at The Remaining Portion of Lot Nos. 1313 and 1317 in Demarcation District No. 106, Yuen Long, New Territories, Hong Kong (the “**Storage Property**”) for use as open storage and service depot for our Group for a term of 24 months from 1 August 2009 to 31 July 2011 (both days inclusive) at a monthly rent of HK\$90,000. The management fees, rates, Government rent and property tax in respect of the Storage Property were borne by Cheer Crown as the landlord as stipulated in the First CC Tenancy Agreement.

Upon expiry of the First CC Tenancy Agreement and from 1 August 2011 to 31 July 2012, Cheer Crown continued to lease the Storage Property to SW Bore Pile at a monthly rent of HK\$90,000 but no written tenancy agreement was entered into between the parties.

On 25 July 2012, SW Bore Pile as tenant and Cheer Crown as landlord entered into another tenancy agreement (the “**Second CC Tenancy Agreement**”) for the leasing of the Storage Property for a term of 24 months from 1 August 2012 to 31 July 2014 (both days inclusive) at a monthly rent of HK\$150,000.

On 16 June 2014, SW Bore Pile as tenant and Cheer Crown as landlord entered into a new tenancy agreement (the “**Third CC Tenancy Agreement**”, together with the First CC Tenancy Agreement and the Second CC Tenancy Agreement, the “**CC Tenancy Agreements**”) for the leasing of the Storage Property with a site area of approximately 119,698 sq. ft., for a term of three years from 1 August 2014 to 31 July 2017 (both days inclusive) at a monthly rent of HK\$180,000.

Leasing of residential properties and car parking spaces

1. Property at Simplex 1 (also known as Simplex A), 29th Floor (including the flat roof(s) of Block 1), Block 1, Parc Palais, 18 Wylie Road, Ho Man Tin, Kowloon, Hong Kong

On 16 September 2009, SW Holdings as tenant and Cheer Wealth as landlord entered into a tenancy agreement (the “**First CW Tenancy Agreement**”) for the leasing of a property located at Simplex 1 (also known as Simplex A), 29th Floor (including the flat roof(s) of Block 1), Block 1, Parc Palais, 18 Wylie Road, Ho Man Tin, Kowloon, Hong Kong (the “**29A Property**”) for a term of 24 months from 1 April 2009 to 31 March 2011 (both days inclusive) at a monthly rent of HK\$66,000. The management fees, rates, Government rent and property tax in respect of the 29A Property were borne by Cheer Wealth as landlord as stipulated in the First CW Tenancy Agreement.

CONNECTED TRANSACTIONS AND WAIVER

Upon expiry of the First CW Tenancy Agreement and from 1 April 2011 to 30 June 2011, Cheer Wealth leased the 29A Property to Mr. Lau at a monthly rent of HK\$66,000 but no written tenancy agreement was entered into between the parties. From 1 July 2011 to 30 September 2012, Cheer Wealth leased the 29A Property to SW Bore Pile at a monthly rent of HK\$66,000 but no written tenancy agreement was entered into between the parties.

On 8 December 2012, SW Bore Pile as tenant and Cheer Wealth as landlord entered into a tenancy agreement (the “**Second CW Tenancy Agreement**”) for the leasing of the 29A Property for use as quarter for Mr. Lau and Ms. Leung for a term of 24 months from 1 October 2012 to 30 September 2014 (both days inclusive) at a monthly rent of HK\$73,000. It was effectively terminated and superseded by the Third CW Tenancy Agreement (as defined below) with effect from 1 August 2014.

On 16 June 2014, SW Bore Pile as tenant and Cheer Wealth as landlord entered into a new tenancy agreement (the “**Third CW Tenancy Agreement**”, together with the First CW Tenancy Agreement and the Second CW Tenancy Agreement, the “**CW Tenancy Agreements**”) for the leasing of the 29A Property with a saleable area of approximately 2,031 sq. ft., for use as quarter for Mr. Lau and Ms. Leung for a term of three years from 1 August 2014 to 31 July 2017 (both days inclusive) at a monthly rent of HK\$73,000.

2. Private Car Parking Space No. 62, Level 6, Parc Palais, 18 Wylie Road, Ho Man Tin, Kowloon, Hong Kong

On 16 September 2009, SW Holdings as tenant and East Ascent as landlord entered into a tenancy agreement (the “**First EA Tenancy Agreement**”) for the leasing of a private car parking space No. 62 located at Level 6, Parc Palais, 18 Wylie Road, Ho Man Tin, Kowloon, Hong Kong (the “**Carparking No. 62**”) for a term of 24 months from 1 April 2009 to 31 March 2011 (both days inclusive) at a monthly rent of HK\$3,000. The management fees, rates, Government rent and property tax in respect of the Carparking No. 62 were borne by East Ascent as landlord as stipulated in the First EA Tenancy Agreement.

Upon expiry of the First EA Tenancy Agreement and from 1 April 2011 to 30 June 2011, East Ascent leased the Carparking No. 62 to Mr. Lau at a monthly rent of HK\$3,000 but no written tenancy agreement was entered into between the parties. From 1 July 2011 to 30 September 2012, East Ascent leased the Carparking No. 62 to SW Bore Pile at the monthly rent of HK\$3,000 but no written tenancy agreement was entered into between the parties.

On 8 December 2012, SW Bore Pile as tenant and East Ascent as landlord entered into a tenancy agreement (the “**Second EA Tenancy Agreement**”) for the leasing of the Carparking No. 62 for use as private car parking space for Mr. Lau and Ms. Leung for a term of 24 months from 1 October 2012 to 30 September 2014 (both days inclusive) at a monthly rent of HK\$3,800. It was effectively terminated and superseded by the Third EA Tenancy Agreement (as defined below) with effect from 1 August 2014.

On 16 June 2014, SW Bore Pile as tenant and East Ascent as landlord entered into a new tenancy agreement (the “**Third EA Tenancy Agreement**”, together with the First EA Tenancy Agreement and the Second EA Tenancy Agreement, the “**EA Tenancy Agreements**”) for the leasing of the Carparking No. 62 for use as private car parking space for Mr. Lau and Ms. Leung for a term of three years from 1 August 2014 to 31 July 2017 (both days inclusive) at a monthly rent of HK\$3,800.

CONNECTED TRANSACTIONS AND WAIVER

3. Private Car Parking Space No. 63, Level 6, Parc Palais, 18 Wylie Road, Ho Man Tin, Kowloon, Hong Kong

On 16 September 2009, SW Holdings as tenant and Cheer Profit as landlord entered into a tenancy agreement (the “**First CP Tenancy Agreement**”) for the leasing of a private car parking space No. 63 located at Level 6, Parc Palais, 18 Wylie Road, Ho Man Tin, Kowloon, Hong Kong (the “**Carparking No. 63**”) for a term of 24 months from 1 April 2009 to 31 March 2011 (both days inclusive) at a monthly rent of HK\$3,000. The management fees, rates, Government rent and property tax in respect of the Carparking No. 63 were borne by Cheer Profit as landlord as stipulated in the First CP Tenancy Agreement.

Upon expiry of the First CP Tenancy Agreement and from 1 April 2011 to 30 June 2011, Cheer Profit leased the Carparking No. 63 to Mr. Lau at a monthly rent of HK\$3,000 but no written tenancy agreement was entered into between the parties. From 1 July 2011 to 30 September 2012, Cheer Profit leased the Carparking No. 63 to SW Bore Pile at a monthly rent of HK\$3,000 but no written tenancy agreement was entered into between the parties.

On 8 December 2012, SW Bore Pile as tenant and Cheer Profit as landlord entered into a tenancy agreement (the “**Second CP Tenancy Agreement**”) for the leasing of the Carparking No. 63 for use as private car parking space for Mr. Lau and Ms. Leung for a term of 24 months from 1 October 2012 to 30 September 2014 (both days inclusive) at a monthly rent of HK\$3,800. It was effectively terminated and superseded by the Third CP Tenancy Agreement (as defined below) with effect from 1 August 2014.

On 16 June 2014, SW Bore Pile as tenant and Cheer Profit as landlord entered into a new tenancy agreement (the “**Third CP Tenancy Agreement**”, together with the First CP Tenancy Agreement and the Second CP Tenancy Agreement, the “**CP Tenancy Agreements**”) for the leasing of the Carparking No. 63 for use as private car parking space for Mr. Lau and Ms. Leung for a term of three years from 1 August 2014 to 31 July 2017 (both days inclusive) at a monthly rent of HK\$3,800.

4. Property at Flat C, 16th Floor, Block 2 and Private Car Parking Space No. 61, Level 6, Parc Palais, 18 Wylie Road, Ho Man Tin, Kowloon, Hong Kong

On 16 September 2009, SW Holdings as tenant and Long Ascent as landlord entered into a tenancy agreement (the “**First LA Tenancy Agreement**”) for the leasing of (i) a property known as Flat C, 16th Floor, Block 2 and (ii) a private car parking space No. 61, located at Parc Palais, 18 Wylie Road, Ho Man Tin, Kowloon, Hong Kong (the “**16C Property**”) for a term of 24 months from 1 April 2009 to 31 March 2011 (both days inclusive) at a monthly rent of HK\$43,000. The management fees, rates, property tax and Government rent in respect of the 16C Property were borne by Long Ascent as landlord as stipulated in the First LA Tenancy Agreement.

Upon expiry of the First LA Tenancy Agreement and from 1 April 2011 to 30 April 2011, Long Ascent leased the 16C Property to Mr. Lau Chun Kwok at a monthly rent of HK\$43,000 but no written tenancy agreement was entered into between the parties. From 1 May 2011 to 31 March 2012, Long Ascent leased the 16C Property to Redland Contractors at a monthly rent of HK\$43,000 but no written tenancy agreement was entered into between the parties. From 1 April 2012 to 30 September 2012, Long Ascent leased the 16C Property to SW Engineering Equipment at a monthly rent of HK\$43,000 but no written tenancy agreement was entered into between the parties.

CONNECTED TRANSACTIONS AND WAIVER

On 8 December 2012, SW Engineering Equipment as tenant and Long Ascent as landlord entered into a tenancy agreement (the “**Second LA Tenancy Agreement**”) for the leasing of the 16C Property for use as quarter and private car parking space for Mr. Lau Chun Kwok for a term of 24 months from 1 October 2012 to 30 September 2014 (both days inclusive) at a monthly rent of HK\$50,000. It was effectively terminated and superseded by the Third LA Tenancy Agreement (as defined below) with effect from 1 August 2014.

On 16 June 2014, SW Engineering Equipment as tenant and Long Ascent as landlord entered into a new tenancy agreement (the “**Third LA Tenancy Agreement**”, together with the First LA Tenancy Agreement and the Second LA Tenancy Agreement, the “**LA Tenancy Agreements**”) for the leasing of the 16C Property with a saleable area of approximately 1,330 sq. ft., for use as quarter and private car parking space for Mr. Lau Chun Kwok for a term of three years from 1 August 2014 to 31 July 2017 (both days inclusive) at a monthly rent of HK\$50,000.

5. Property at Flat C, 15th Floor, Block 2 and Private Car Parking Space No. 60, Level 6, Parc Palais, 18 Wylie Road, Ho Man Tin, Kowloon, Hong Kong

On 16 September 2009, SW Holdings as tenant and Healthy World as landlord entered into a tenancy agreement (the “**First HW Tenancy Agreement**”) for the leasing of (i) a property known as Flat C, 15th Floor, Block 2 and (ii) a private car parking space No. 60, located at Parc Palais, 18 Wylie Road, Ho Man Tin, Kowloon, Hong Kong (the “**15C Property**”) for a term of 24 months from 1 April 2009 to 31 March 2011 (both days inclusive) at a monthly rent of HK\$43,000. The management fees, rates, Government rent and property tax in respect of the 15C Property were borne by Healthy World as landlord as stipulated in the First HW Tenancy Agreement.

Upon expiry of the First HW Tenancy Agreement and from 1 April 2011 to 30 April 2011, Healthy World leased the 15C Property to Mr. Lau Chun Ka at a monthly rent of HK\$43,000 but no written tenancy agreement was entered into between the parties. From 1 May 2011 to 31 March 2012, Healthy World leased the 15C Property to Sam Woo Ship Building Limited at a monthly rent of HK\$43,000 but no written tenancy agreement was entered into between the parties. From 1 April 2012 to 30 September 2012, Healthy World leased the 15C Property to SW Engineering Equipment at a monthly rent of HK\$43,000 but no written tenancy agreement was entered into between the parties.

On 8 December 2012, SW Engineering Equipment as tenant and Healthy World as landlord entered into a tenancy agreement (the “**Second HW Tenancy Agreement**”) for the leasing of the 15C Property for use as quarter and private car parking space for Mr. Lau Chun Ka for a term of 24 months from 1 October 2012 to 30 September 2014 (both days inclusive) at a monthly rent of HK\$50,000. It was effectively terminated and superseded by the Third HW Tenancy Agreement (as defined below) with effect from 1 August 2014.

On 16 June 2014, SW Engineering Equipment as tenant and Healthy World as landlord entered into a new tenancy agreement (the “**Third HW Tenancy Agreement**”, together with the First HW Tenancy Agreement and the Second HW Tenancy Agreement, the “**HW Tenancy Agreements**”) for the leasing of the 15C Property with a saleable area of approximately 1,330 sq. ft., for use as quarter and private car parking space for Mr. Lau Chun Ka for a term of three years from 1 August 2014 to 31 July 2017 (both days inclusive) at a monthly rent of HK\$50,000.

(The CC Tenancy Agreements, the CW Tenancy Agreements, the EA Tenancy Agreements, the CP Tenancy Agreements, the LA Tenancy Agreements and the HW Tenancy Agreements, together referred to as the “**Tenancy Agreements**”)

CONNECTED TRANSACTIONS AND WAIVER

(The Second CC Tenancy Agreement, the Second CW Tenancy Agreement, the Second EA Tenancy Agreement, the Second CP Tenancy Agreement, the Second LA Tenancy Agreement and the Second HW Tenancy Agreement, together referred to as the “**Second Tenancy Agreements**”)

(The Third CC Tenancy Agreement, the Third CW Tenancy Agreement, the Third EA Tenancy Agreement, the Third CP Tenancy Agreement, the Third LA Tenancy Agreement and the Third HW Tenancy Agreement, together referred to as the “**Third Tenancy Agreements**”)

For each of the three years ended 31 March 2014, the total amount of rent paid by our Group to the above landlords, amounted to HK\$2,201,000, HK\$3,591,600 and HK\$3,967,200, respectively.

As Mr. Lau, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung, each a Director, and Ms. Lau Pui Shan, a daughter of Mr. Lau and Ms. Leung and the chief financial officer of the Group, have the following interests in the above landlords, each of the landlords above is therefore considered as a connected person of our Company under Chapter 14A of the Listing Rules and hence the transactions under the Third Tenancy Agreements referred to above will constitute continuing connected transactions under Chapter 14A of the Listing Rules immediately after the Shares are listed on the Stock Exchange:

- (a) Cheer Crown is beneficially owned as to 100% by Mr. Lau;
- (b) Cheer Wealth is owned as to approximately 99.99996%, 0.00002% and 0.00002% by Mr. Lau, Ms. Leung and Ms. Lau Pui Shan, respectively;
- (c) East Ascent is owned as to 50%, 25% and 25% by Mr. Lau, Ms. Leung and Ms. Lau Pui Shan, respectively;
- (d) Cheer Profit is owned as to 50%, 25% and 25% by Mr. Lau, Ms. Leung and Ms. Lau Pui Shan, respectively;
- (e) Long Ascent is owned as to 50%, 49% and 1% by Mr. Lau, Mr. Lau Chun Kwok and Ms. Leung, respectively; and
- (f) Healthy World is owned as to 50% each by Mr. Lau and Mr. Lau Chun Ka, respectively.

The rents paid by our Group to the above landlords were determined on an arm’s length basis and reflected the prevailing market rents at the time. The Second Tenancy Agreements and the Third Tenancy Agreements were entered into by the relevant parties on normal commercial terms.

The leasing of each of the Storage Property, the 29A Property, the Carparking No. 62, the Carparking No. 63, the 16C Property and the 15C Property will continue after the Listing for the term of the Third Tenancy Agreements. The rentals under the Third Tenancy Agreements were determined with reference to the prevailing market rates. Based on the terms of the Third Tenancy Agreements, the total amount of rent inclusive of Government rent, rates, management fee and property tax payable by our Group to the above landlords for each of the years ending 31 March 2015, 2016 and 2017 will not exceed HK\$4,207,200, HK\$4,327,200 and HK\$4,327,200, respectively (the “**Lease Annual Caps**”).

CONNECTED TRANSACTIONS AND WAIVER

Our Directors (including the independent non-executive Directors) confirm that the Third Tenancy Agreements were entered into in the ordinary and usual course of business of our Group and the terms of the Third Tenancy Agreements and the Lease Annual Caps are fair and reasonable and on normal commercial terms and are in the interest of our Group and the Shareholders as a whole.

Asset Appraisal Limited has reviewed the rents payable pursuant to the Third Tenancy Agreements and confirmed that the terms of the Third Tenancy Agreements reflect the prevailing market conditions and that the rents payable by our Group to the above landlords reflect the prevailing market rates of similar properties at the vicinity.

The Sponsor has reviewed the relevant documentation provided by Asset Appraisal Limited and our Group, and discussed with the management, the Lease Annual Caps and reasons for the transactions. Based on the above, the Sponsor is of the view that (i) the continuing connected transactions under the Third Tenancy Agreements have been entered into in the ordinary and usual course of business of our Group; are on normal commercial terms that are fair and reasonable and in the interest of our Company and our Shareholders as a whole; and (ii) the Lease Annual Caps are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Based on the highest aggregate annual rent payable of HK\$4,327,200 under the Third Tenancy Agreements, all applicable percentage ratios are less than 5%. Therefore, pursuant to Rule 14A.76(2) of the Listing Rules, the transactions under the Third Tenancy Agreements are exempt from circular and shareholders' approval requirement but are subject to announcement, annual review and reporting requirements under the Listing Rules.

Our Company has applied to the Stock Exchange for a waiver from strict compliance with the announcement requirements pursuant to Rule 14A.105 of the Listing Rules in respect of the transactions contemplated under the Third Tenancy Agreements and the Stock Exchange has agreed to grant such waiver to our Company from compliance with the announcement requirements in respect of the Third Tenancy Agreements. Our Company will comply with all other relevant requirements under Chapter 14A of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

The Board consists of four executive Directors and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business. The following table sets forth certain information in respect of our Directors and our senior management:

Name	Age	Date of joining our Group	Date of appointment as Director/senior management	Position and responsibilities in our Group	Relationship with Directors and other senior management
Executive Directors					
Mr. Lau Chun Ming	71	December, 1970	September, 2012	Chairman and executive Director, responsible for the overall strategic planning and business development of our Group, overseeing the tendering and quotation process, research and development and formulation of overall corporate policies and a member of each of the remuneration committee and nomination committee	Brother of Mr. Lau Chun Kwok and Mr. Lau Chun Ka, spouse of Ms. Leung Lai So, father of Ms. Lau Pui Shan
Mr. Lau Chun Kwok	62	December, 1970	January, 2013	Chief executive officer and executive Director, responsible for the overall management of foundation works and ancillary services projects of our Group	Brother of Mr. Lau Chun Ming and Mr. Lau Chun Ka, brother-in-law of Ms. Leung Lai So, uncle of Ms. Lau Pui Shan
Mr. Lau Chun Ka	60	December, 1970	January, 2013	Executive Director, responsible for the overall management of maintenance and repair of machinery and equipment of our Group	Brother of Mr. Lau Chun Ming and Mr. Lau Chun Kwok, brother-in-law of Ms. Leung Lai So, uncle of Ms. Lau Pui Shan
Ms. Leung Lai So	67	October, 1972	January, 2013	Executive Director, responsible for the administrative and human resources matters of our Group	Spouse of Mr. Lau Chun Ming, mother of Ms. Lau Pui Shan and sister-in-law of Mr. Lau Chun Kwok and Mr. Lau Chun Ka

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director/ senior management	Position and responsibilities in our Group	Relationship with Directors and other senior management
Independent Non-Executive Directors					
Mr. Chu Tak Sum	66	September, 2014	September, 2014	Independent non-executive Director, the chairman of remuneration committee and a member of each of the audit committee and nomination committee	N/A
Mr. Ip Tin Chee, Arnold	51	September, 2014	September, 2014	Independent non-executive Director, the chairman of audit committee and a member of each of the nomination committee and remuneration committee	N/A
Professor Wong Sue Cheun, Roderick	69	September, 2014	September, 2014	Independent non-executive Director, the chairman of the nomination committee and a member of each of the audit committee and remuneration committee	N/A
Senior Management					
Mr. Hsu Kam Yee, Simon	59	July, 2001	August, 2003	Director of the foundation division, responsible for business development, tendering and overall management of foundation works and ancillary services projects	N/A
Mr. Jesse, Colin John	61	February, 2013	February, 2013	Adviser to the Board, responsible for advising the Board on overall development strategies in the construction and foundation industries	N/A
Ms. Lau Pui Shan	40	September, 1999	September, 2012	Chief financial officer, responsible for financial, accounting, treasury and banking matters, investors' relation and information technology system	Daughter of Mr. Lau Chun Ming and Ms. Leung Lai So, niece of Mr. Lau Chun Kwok and Mr. Lau Chun Ka
Mr. Wan Kwok Choi	47	March, 1996	September, 2012	Quantity surveying and purchasing manager, responsible for quantity surveying	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director/senior management	Position and responsibilities in our Group	Relationship with Directors and other senior management
Mr. Kwok Kan Kuen, Lawrence	50	July, 2012	July, 2012	Project manager, responsible for the supervision of foundation projects	N/A
Mr. Chan Chun Fung, Agnew	56	February, 2014	February, 2014	Project manager, responsible for execution of designated projects	N/A
Mr. Lui Ping Sum	50	January, 2013	January, 2013	Plant manager, responsible for the maintenance and repair of machinery and equipment	N/A

Executive Directors

Mr. Lau Chun Ming (劉振明先生), aged 71, is an executive Director, the Chairman and founder of our Group. Mr. Lau is responsible for the overall strategic planning and business development of our Group, overseeing the tendering and quotation process, research and development and formulation of overall corporate policies of our Group. Mr. Lau has been involved in the foundation works business since 1990. He was an executive director of SW Holdings (now known as Noble Century Investment Holdings Limited) (stock code: 2322), and was responsible for the overall strategic planning, business development and formulation of overall corporate policies, during the period from 9 August 2002 to 30 June 2011. He is a brother of Mr. Lau Chun Kwok and Mr. Lau Chun Ka, the spouse of Ms. Leung, and father of Ms. Lau Pui Shan.

Mr. Lau Chun Kwok (劉振國先生), aged 62, is our chief executive officer and an executive Director. He joined our Group in the 1970s. He is responsible for the overall management of foundation works and ancillary services projects of our Group. He has been involved in the foundation works business since 1990. He was an executive director of SW Holdings (now known as Noble Century Investment Holdings Limited) (stock code: 2322), and was responsible for the overall deployment of foundation construction machinery and equipment, labour, resources and purchasing activities, during the period from 25 March 2003 to 29 April 2011. He is the brother of Mr. Lau and Mr. Lau Chun Ka, brother-in-law of Ms. Leung and uncle of Ms. Lau Pui Shan.

Mr. Lau Chun Ka (劉振家先生), aged 60, is an executive Director. He joined our Group in the 1970s. He is responsible for the overall management of maintenance and repair of machinery and equipment of our Group. He has been involved in the foundation works business since 1990. He was an executive director of SW Holdings (now known as Noble Century Investment Holdings Limited) (stock code: 2322), and was responsible for the maintenance of machinery and equipment, during the period from 25 March 2003 to 29 April 2011. He is the brother of Mr. Lau and Mr. Lau Chun Kwok, brother-in-law of Ms. Leung and uncle of Ms. Lau Pui Shan.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Leung Lai So (梁麗蘇女士), aged 67, is an executive Director. She joined our Group in the 1970s. She is responsible for the administrative and human resources matters of our Group and has been involved in the management of our Group for over 20 years. She obtained a diploma in smaller company management from the Chinese University of Hong Kong in July 1997. She was an executive director of SW Holdings (now known as Noble Century Investment Holdings Limited) (stock code: 2322), and was responsible for administration and human resources, during the period from 9 August 2002 to 29 April 2011. She is the spouse of Mr. Lau, mother of Ms. Lau Pui Shan and sister-in-law of Mr. Lau Chun Kwok and Mr. Lau Chun Ka.

Independent non-executive Directors

Mr. Chu Tak Sum (朱德森先生), aged 66, has been appointed as an independent non-executive Director of our Company on 15 September 2014. Mr. Chu is a registered architect in Hong Kong under the provisions of the Architects Registration Ordinance (Cap. 408 of the Laws of Hong Kong) and has been engaged as an architect for about 30 years. Mr. Chu obtained a bachelor's degree of arts in architecture studies from The University of Hong Kong in 1971. He is also a fellow member of the Hong Kong Institute of Architects and holds Class 1 Registered Architect qualification of the PRC.

Mr. Chu is currently the managing director of T.S. Chu Architects Limited and an independent non-executive director of Henry Group Holdings Limited (stock code: 859).

Mr. Ip Tin Chee, Arnold (葉天賜先生), aged 51, has been appointed as an independent non-executive Director of our Company on 15 September 2014. Mr. Ip obtained a master's degree of arts from Trinity College, Cambridge University in 1988. Mr. Ip's work focuses on fund raising for listed and unlisted companies, and management of real estate investment funds. He is a director of Altus Capital Limited where he is involved in the supervision and management of corporate finance and advisory work for companies in Hong Kong.

Mr. Ip is an independent non-executive director of Pioneer Global Group Limited (stock code: 224) and an independent non-executive director of Pak Fah Yeow International Limited (stock code: 239), each of which is a company listed on the main board of the Stock Exchange. He is also the Chairman of Japan Residential Assets Manager Limited, the manager of a real estate investment trust listed in Singapore, and a member of the Institute of Chartered Accountants in England and Wales.

Professor Wong Sue Cheun, Roderick (王世全教授), aged 69, has been appointed as an independent non-executive Director of our Company on 15 September 2014. Professor Wong holds a bachelor's degree of arts from San Diego State College in the United States of America, and a doctoral's degree in philosophy in mathematics from the University of Alberta in Canada. He is a Fellow of the Royal Society of Canada, and Chevalier dans l'Ordre National de la Légion d'Honneur of France, and elected as a member of the European Academy of Sciences. Currently, he is the Vice-President (Development & External Relations), the Chair Professor of Mathematics and the Director of the Liu Bie Ju Centre for Mathematical Sciences at City University of Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed, each of our Directors has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no information relating to our Directors that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of the Shareholders.

Senior Management

Mr. Hsu Kam Yee, Simon, aged 59, has been a director of SW Bore Pile since August 2003. He is responsible for the business development, tendering and overall management of the foundation works and ancillary services projects of our Group. He obtained a master's degree in business administration from The University of East Asia in Macau in 1989. He has more than 30 years' experience in the construction industry. He is a member of the Institution of Civil Engineers and Hong Kong Institution of Engineers. He was a director of Tysan Foundation Limited from 1994 to 1996, China Overseas Foundation Limited from 1996 to 2000, Hsin Chong (Foundations) Limited and Hsin Chong (Foundations) Asia Limited from 2000 to 2001. He was an executive director of SW Holdings (now known as Noble Century Investment Holdings Limited), a company listed on the Stock Exchange of Hong Kong Limited (stock code: 2322), during the period from 9 April 2003 to 21 February 2011.

Mr. Jesse, Colin John, aged 61, is an adviser to the Board. He is responsible for advising the Board on overall development strategies in the construction and foundation industries. He has over 40 years of experience in the construction industry. He has worked for major construction and engineering companies as senior executive including Leighton Bruckner Foundation Engineering Limited from 1984 to 1993, Daido Construction Company Limited from 1993 to 1997, Evans and Peck (Hong Kong) Company Limited from 1997 to 2010 and Bechtel HK Limited from 2010 to 2012.

Ms. Lau Pui Shan, aged 40, is the chief financial officer of our Group and a director of SW Bore Pile since January 2002. She joined our Group in September 1999. She is responsible for financial, accounting, treasury and banking matters, investors' relation and information technology system of our Group. She obtained a bachelor's degree of commerce in accounting and finance and a master's degree of commerce in international business from the University of New South Wales in Australia. She is a certified practicing accountant of CPA Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants. She is the daughter of Mr. Lau and Ms. Leung.

Mr. Wan Kwok Choi, aged 47, is the quantity surveying and purchasing manager of our Group. He is responsible for quantity surveying matters and preparation of tenders and quotations for our Group. He joined our Group in March 1996 and has over 17 years of experience in foundation works.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Kwok Kan Kuen, Lawrence, aged 50, is the project manager of our Group. He is responsible for the supervision of foundation projects of our Group. Prior to joining our Group in July 2012, he has over 20 years of experience in the engineering field. He obtained a bachelor's degree in civil engineering from the Chu Hai College in July 1987 and a master's degree of science in international construction management and engineering from the University of Leeds in the United Kingdom in September 1994. He is currently a registered professional engineer under the Engineer Registration Ordinance (Cap. 409 of the Laws of Hong Kong) and a member of each of the Institution of Civil Engineers of the United Kingdom and the Hong Kong Institution of Engineers, respectively.

Mr. Chan Chun Fung, Agnew, aged 56, is the project manager of SW Bore Pile. He worked for our Group from February 2001 to July 2012 and re-joined our Group in February 2014. He is responsible for execution of designated projects of our Group. He has over 24 years of experience in survey and project aspects. He obtained a bachelor's degree in surveying from The University of New South Wales in Australia in 1991 and a master's degree in Survey Science from the same university in 1993. In 1993, he qualified as a Graduate Surveyor from the Institute of Surveyors in New South Wales, Australia. He has been a member of The Hong Kong Institution of Engineering Surveyor since 2000.

Mr. Lui Ping Sum, aged 50, is the plant manager of our Group. He worked for our Group from July 2001 to June 2006, and then re-joined our Group in January 2013. He is responsible for the maintenance and repair of our machinery and equipment. He has over 20 years of experience in the maintenance and repair of machinery and equipment.

BOARD COMMITTEES

Audit committee

Our Company has established an audit committee on 15 September 2014 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee are to make recommendation to the Board on the appointment and removal of external auditors; review the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of our Group. At present, the audit committee consists of three members, namely Mr. Ip Tin Chee, Arnold, Mr. Chu Tak Sum and Professor Wong Sue Cheun, Roderick. Mr. Ip Tin Chee, Arnold, is the chairman of the audit committee.

Remuneration committee

Our Company has established a remuneration committee on 15 September 2014 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 make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The remuneration committee consists of four members, namely Mr. Chu Tak Sum, Professor Wong Sue Cheun, Roderick, Mr. Ip Tin Chee, Arnold and Mr. Lau. Mr. Chu Tak Sum is the chairman of the remuneration committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

Our Company has established a nomination committee on 15 September 2014 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 nomination committee are to make recommendations to the Board on the appointment of Directors and the management of the Board succession. The nomination committee consists of four members, namely Professor Wong Sue Cheun, Roderick, Mr. Ip Tin Chee, Arnold, Mr. Chu Tak Sum and Mr. Lau. Professor Wong Sue Cheun, Roderick is the chairman of the nomination committee.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors and senior management receive compensation in the form of salaries, housing and other benefits in kind and/or discretionary bonuses. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services or executing their functions in relation to our Group's operations. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management.

During the Track Record Period, the remuneration payable by our Company to our Directors, included salaries, housing and other benefits in kind, contributions to defined contribution benefit plans (including pensions) and discretionary bonuses, totalling approximately HK\$2.8 million, HK\$4.4 million and HK\$4.7 million, respectively. The aggregate remuneration (including salaries, housing and other benefits in kind, contributions to defined contribution benefits plans (including pensions) and discretionary bonus) paid to our five highest paid individuals during the Track Record Period were approximately HK\$4.5 million, HK\$6.6 million and HK\$7.6 million, respectively. Please refer to the paragraph headed "Financial Information – Directors' remuneration and benefits" for further information.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or is receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

Save as disclosed above, no other payments have been made or are payable by our Company or any of our subsidiaries to our Directors in respect of the services rendered during the Track Record Period.

It is estimated that remuneration equivalent to approximately HK\$5.4 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending 31 March 2015 under arrangements in force at the date of this prospectus.

Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of our Group.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Chan Sun Kwong is the company secretary of our Company and was appointed on 14 June 2014.

He obtained a diploma of business administration from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in 1990. He has over 20 years company secretarial experience. He served as the company secretary of UDL Holdings Limited (stock code: 620) from January 1992 to September 1997 and the company secretary of KEL Holdings Limited (now known as Chinese People Holdings Company Limited) (stock code: 681) from March 1997 to September 1997. He served as the company secretary of Ming Hing Holdings Limited (now known as Peace Map Holding Limited) (stock code: 402) from November 2005 to October 2006. He was the company secretary and an executive director of SW Holdings (now known as Noble Century Investment Holdings Limited) (stock code: 2322) from March 2003 to June 2011. Mr. Chan is also the company secretary of Powerwell Pacific Holdings Limited (stock code: 8265) since December 2010.

He is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in the United Kingdom, the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He is an accredited mediator of The Hong Kong Mediation Centre.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Investec as our compliance adviser. Our Company has entered into a compliance adviser's agreement with the compliance adviser, the material terms of which are as follows:

- (i) our Company has appointed Investec as its compliance adviser for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year of our Group commencing after such Listing Date, or until the agreement is terminated, whichever is earlier;
- (ii) Investec shall provide our Company with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines;
- (iii) our Company shall consult with and, if necessary, seek advice from Investec on a timely basis in the following circumstances:
 - (a) before the publication of any regulatory announcement, circular or financial report;
 - (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- (c) where our Group proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.
- (iv) our Company undertakes to indemnify Investec for certain actions against it and losses incurred by it arising out of or in connection with the performance by Investec of its duties under the agreement;
- (v) our Company may terminate the appointment of Investec as its compliance adviser in the event that there is a material breach of the material provisions under the engagement of the compliance adviser; and
- (vi) Investec may terminate its appointment if there is material dispute over fees, which cannot be resolved within 30 days by serving written notice to the Company.

STAFF BENEFITS

All employees of our Group in Hong Kong have joined a mandatory provident fund scheme (the “**MPF Scheme**”) prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and the MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority. Our Group has made the relevant contributions in accordance with the aforesaid laws and regulations. Save as the aforesaid, our Group has not participated in other pension schemes.

SHARE CAPITAL

Our Company's share capital immediately following completion of the Share Offer will be as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
<u>1,000,000,000</u> Shares	<u>10,000,000</u>

Shares issued and to be issued, fully paid or credited as fully paid

Number of Shares	Description of Shares	HK\$
1,000	Shares in issue	10
299,999,000	Shares to be issued pursuant to the Capitalisation Issue	2,999,990
<u>100,000,000</u>	<u>Shares to be issued under the Share Offer</u>	<u>1,000,000</u>
<u>400,000,000</u>	<u>Total</u>	<u>4,000,000</u>

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer is made as described herein. It does not take into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors.

RANKING

The Offer Shares will rank equally in all respects with all Shares in issue, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Statutory and General Information – Share Option Scheme" in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions set forth in the paragraph headed "Structure and Conditions of the Share Offer – Conditions of the Share Offer" of this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares and to make or grant offers, agreements or option 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, issue and allotment of Shares pursuant to exercise of options that may be granted under the Share Option Scheme or a specific authority granted by the Shareholders) shall not exceed:

SHARE CAPITAL

- (i) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately upon completion of the Share Offer and the Capitalisation Issue; and
- (ii) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the “General Mandate to Repurchase Shares” referred to below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue, scrip dividend or similar arrangement in accordance with the Articles, or the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will expire at the earliest of:

- (i) the conclusion of the next annual general meeting of our Company; or
- (ii) the expiration of the period within which our Company is required by any applicable law or the Articles to hold our next annual general meeting; or
- (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors by such mandate.

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information – Further information about our Company – Written resolutions of the sole Shareholder” in Appendix IV to this prospectus.

General Mandate to Repurchase Shares

Subject to the conditions set forth in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” of this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of our Company’s share capital in issue immediately upon completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange(s) on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out under the paragraph headed “Statutory and General Information – Repurchase by our Company of our securities” in Appendix IV to this prospectus.

This general mandate to issue Shares will expire at the earliest of:

- (i) the conclusion of the next annual general meeting of our Company; or
- (ii) the expiration of the period within which our Company is required by any applicable law or the Articles to hold our next annual general meeting; or
- (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors by such mandate.

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information – Further information about our Company – Written resolutions of the sole Shareholder” in Appendix IV to this prospectus.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders has, under the Deed of Non-competition Undertaking, irrevocably and unconditionally covenanted and undertaken with our Company (for itself and as trustee for and on behalf of each of its subsidiaries) that, during the period from the Listing Date and up to the date on which (a) the Shares ceased to be listed on the Stock Exchange or (b) he/she/it and/or his/her/its respective associates cease to beneficially own (i) 30% or more of the issued share capital of our Company; or (ii) any interests in the direct or indirect corporate shareholders of our Company which in turn beneficially own 30% or more of the issued share capital of our Company, he/she/it shall not, and shall procure that none of his/her/its associates and/or companies controlled by him/her/it (other than any member of our Group) shall, among others:

- (a) directly or indirectly, either for his/her/its own account or in conjunction with or on behalf of or for any other person, be interested in, engaged or otherwise involved in any form of business, including but not limited to joint venture, alliance, cooperation, partnership, which competes or is likely to compete directly or indirectly with our Group's business (including but not limited to (i) the provision of foundation works, including the construction of bored piles and rock socketed H-piles and excavation and lateral support works and the construction of pile caps; (ii) the provision of ancillary services, including site investigation and removal of installed piles; and (iii) the leasing of machinery and equipment), in Hong Kong, Macau, the PRC, or in any other jurisdiction which any member of our Group is engaged or has invested or is otherwise involved in or carries or may carry on business from time to time (the "**Restricted Activity**") nor provide support in any form to persons other than our Group to engage in business that constitute or may constitute direct or indirect competition with the businesses that our Group is currently and from time to time carrying on;
- (b) solicit or procure any of the suppliers and/or the customers of our Group from time to time to terminate their business relationships or otherwise reduce the amount of business with our Group; and
- (c) solicit or procure any of the directors, senior management, other employees or consultants of our Group from time to time to resign or otherwise cease providing services to our Group.

Notwithstanding the aforesaid, the non-competition undertakings do not apply in respect of the holding of or interests in shares or other securities in any company which conducts or is engaged in any Restricted Activity, provided that, in the case of such shares, they are listed on a recognised stock exchange and:

- (a) the total number of the shares directly or indirectly held by him/her/it and/or his/her/its associates does not amount to more than 5% of the issued shares of the relevant company or control the exercise of more than 5% of the voting rights thereof or control the composition of the board of directors of such company; and
- (b) he/she/it and/or his/her/its associates are not entitled to appoint a majority of the directors or management of that company.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

As confirmed by our Directors, as at the Latest Practicable Date, apart from the business operated by members of our Group, our Controlling Shareholders and their respective associates and/or companies controlled by them do not have any interests in any form of business that competes or is likely to compete, directly or indirectly with the business of our Group.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer but without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, our Controlling Shareholders will together control the exercise of 75% of the voting rights at general meetings of our Company. None of our Controlling Shareholders nor our Directors controls or conducts any business which competes, or is likely to compete, with our business.

Actiease Assets is 100% owned by Silver Bright which is a company 100% held by Managecorp Limited as trustee of the Unit Trust. The entire issued units of the Unit Trust are held by Nautilus Trustees as trustee of the Family Trust. The Family Trust is a discretionary trust established by Mr. Lau as settlor and the beneficiary is Ms. Leung.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer but without taking into account any Shares falling to be issued upon exercise of any options which may be granted under the Share Option Scheme, the following persons (i) will have an interest in the Shares or underlying Shares of our Company which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or (ii) who are expected, directly or indirectly, to 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 our Company and any member of our Group:

Name	Capacity	Number of Shares	Percentage of shareholding
Actiease Assets	Beneficial owner	300,000,000	75%
Silver Bright (<i>Note 1</i>)	Interest of a controlled corporation	300,000,000	75%
Managecorp Limited as trustee of the Unit Trust (<i>Note 2</i>)	Trustee	300,000,000	75%
Nautilus Trustees as trustee of the Family Trust (<i>Note 3</i>)	Trustee	300,000,000	75%
Mr. Lau (<i>Note 4</i>)	Founder of a discretionary trust	300,000,000	75%
Ms. Leung (<i>Note 5</i>)	Beneficiary of a discretionary trust	300,000,000	75%

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

Notes:

1. Actiease Assets is 100% owned by Silver Bright. Silver Bright is therefore deemed to be interested in the Shares held by Actiease Assets under the SFO.
2. Actiease Assets is 100% owned by Silver Bright, which is 100% held by Managecorp Limited as trustee of the Unit Trust. The issued units of the Unit Trust are 100% held by Nautilus Trustees as trustee of the Family Trust set up by Mr. Lau. The beneficiary of the Family Trust is Ms. Leung. Therefore, Managecorp Limited, being the trustee of the Unit Trust, is deemed to be interested in the Shares held by Actiease Assets under the SFO.
3. In light of Note 2 above, Nautilus Trustees, being the trustee of the Family Trust, is deemed to be interested in the Shares held by Actiease Assets under the SFO.
4. In light of Note 2 above, Mr. Lau, being the founder of the Family Trust, is deemed to be interested in the Shares held by Actiease Assets under the SFO.
5. Ms. Leung is the beneficiary of the Family Trust.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Share Offer but without taking into account any Shares falling to be issued upon exercise of any options which may be granted under the Share Option Scheme, have an interest in the Shares or underlying Shares of our Company which would be required 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 our Company and any member of our Group and are therefore regarded as substantial shareholders under the Listing Rules.

COMPETING BUSINESS

Save and except for their respective interests in our Company and our subsidiaries, each of our executive Directors confirms that he/she and his/her respective associates (including Actiease Assets) do not have any competing business with our Group. Moreover, pursuant to their service agreements, our executive Directors shall not at any time during his/her term of service with our Group and for a period of 12 months after the expiry or termination of his/her employment with our Company, without the prior written consent of our Board, be or become a director of any company (other than our Company or any other member of our Group) which competes with or is a competitor of our Group or be engaged, concerned or interested directly or indirectly in any other business, trade or occupation which competes with or is a competitor of our Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters as described below, we believe that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective associates after completion of the Share Offer.

Management Independence and Operational Independence

We hold all relevant licences necessary to carry on our businesses, and have the equipment and employees to operate our businesses independently of any of our Controlling Shareholders. We have independent access to our customers and suppliers.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

Our day-to-day management and operational decisions are made by our executive Directors and senior management, who have served us for a long time and have substantial experience in the industry. Our Group has established the (i) audit committee, (ii) remuneration committee and (iii) nomination committee. Each committee consists of a majority of independent non-executive Directors to monitor the operation of our Group. Further, we believe that all of our independent non-executive Directors will bring independent judgment to the decision making process of our Board. As at the Latest Practicable Date, except as disclosed in the section headed “Connected transactions and waiver” in this prospectus, there were no significant business transactions between us and any of our Controlling Shareholders. Based on the above, our Directors are of the view that we are independent of our Controlling Shareholders in terms of the day-to-day management and business operations.

Financial independence

Our Group has its own internal control and accounting systems, accounting department and independent treasury functions.

During the Track Record Period, certain bank loans, finance leases and banking facilities were under personal guarantee by certain Controlling Shareholders and such guarantees will be released upon the Listing. In addition, all loans and advances due to our Controlling Shareholders and/or their respective associates will be settled before the Listing Date by way of cash.

Having considered the above factors, our Directors consider that we have no financial dependence on our Controlling Shareholders.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of the Shareholders:

- (i) our independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertaking by the Controlling Shareholders under the Deed of Non-competition Undertaking;
- (ii) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition Undertaking;
- (iii) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of our Controlling Shareholders under the Deed of Non-competition Undertaking in the annual reports of our Company; and
- (iv) our Controlling Shareholders will make an annual declaration in compliance with their undertaking under the Deed of Non-competition Undertaking in the annual reports of our Company.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our Group's financial condition and results of operations together with our audited combined financial information as at and for each of the three years ended 31 March 2012, 2013 and 2014 and the accompanying notes included in the Accountant's Report set out in Appendix I to this prospectus. The Accountant's Report has been prepared in accordance with HKFRS. Prospective investors should read the whole of the Accountant's Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

Our Group is an established contractor in the Hong Kong foundation industry. Our Group is principally engaged in the provision of (i) foundation works, including the construction of bored piles, rock socketed H-piles and excavation and lateral support works; and (ii) ancillary services, including site investigation and removal of installed piles. Historically and up until the year ended 31 March 2012, our Group undertook foundation works and ancillary services for construction projects in Hong Kong only. Subsequently in December 2012, our Group entered into the Macau construction market and was awarded a contract for foundation works and ancillary services based in Macau, namely the Hotel Tower Project.

Since the commencement of the Track Record Period and up to the Latest Practicable Date, we have been awarded and/or undertaken a total of 16 projects involving foundation works and ancillary services, which consisted of 13 Hong Kong based projects and three Macau based projects. As at the Latest Practicable Date, the awarded contract sum for the contracts on hand (including contracts in progress and contracts of which our work has yet to commence) amounted to approximately HK\$1,348.6 million. Furthermore, from time to time our Group is also engaged in the business of leasing machinery and equipment.

RECENT DEVELOPMENTS OF OUR GROUP SUBSEQUENT TO THE TRACK RECORD PERIOD

Based on our unaudited management accounts, the unaudited monthly average revenue for the four months ended 31 July 2014 was higher than the monthly average revenue for the year ended 31 March 2014, which was mainly due to revenue derived in April, May, June and July 2014 from the multi-storey logistics centre project at Tsing Yi and the Hotel Casino Project, the aggregate contract sum (excluding contingent and provisional contract amounts) of which amounted to approximately HK\$646.8 million.

As at the Latest Practicable Date, our Group was engaged in two arbitration proceedings in Hong Kong. Owing to the relevant terms of the contracts between us and the counter parties in the arbitration proceedings, the Arbitration Ordinance (Cap 609 of the Laws of Hong Kong) and the relevant arbitral rules, all information about the arbitrations must remain confidential.

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Save as disclosed under the paragraph headed “Business – Legal and Administrative Proceedings”, as at the Latest Practicable Date, no member of our Group or any of our Directors was subject to any claim, litigation, arbitration, bankruptcy, receivership proceedings, which is of material importance to our Group. Save for the potential claims set out under the paragraph headed “Business – Potential claims and litigations against our Group as at the Latest Practicable Date”, our Group or any of our Directors is not threatened by any potential claim, litigation, arbitration, bankruptcy, receivership proceeding, which is material importance.

The total indebtedness of our Group as at 31 July 2014, being the latest practicable date for determining the amount of indebtedness in this prospectus, was approximately HK\$399.9 million. Details of material changes to our Group’s indebtedness subsequent to the Track Record Period and up to the Latest Practicable Date are set out under the paragraph headed “Financial information – Net current liabilities” in this prospectus below.

Our Directors confirm that, up to the date of this prospectus, save for the increase in our indebtedness from approximately HK\$336.7 million as at 31 March 2014 to approximately HK\$399.9 million as at 31 July 2014, there has been no material adverse change in our financial or trading position or prospects since 31 March 2014, being the date to which our latest audited financial information were prepared, and there is no event which would materially affect the information shown in our combined financial statements included in the Accountant’s Report set forth in Appendix I to this prospectus. Further details of our Group’s indebtedness position have been set out under the paragraph headed “Financial Information – Indebtedness” in this prospectus.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Immediately prior to and after the Reorganisation, our Group principally engaged in the provision of our foundation works and ancillary services under SW (BVI). Pursuant to the Reorganisation, our foundation works and ancillary services business was transferred to and held by our Group. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation with no change in management of such business. Accordingly, the financial information in the Accountant’s Report as set out in Appendix I of this prospectus has been prepared in accordance with the principles of the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountant. The combined financial information is presented using the carrying values of the companies now comprising our Group for all periods presented.

FACTORS AFFECTING THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We believe the most significant factors that directly or indirectly affect our financial position and results of operations include:

Our foundation works and ancillary services contracts are subject to tenders or acceptable quotations

Our Group’s ability to compete for and secure sizeable and profitable foundation works and ancillary services contracts is one of the main contributors to our success as well as ongoing growth and future profitability. Our foundation business operates on a non-recurring and project-by-project basis and our customers may vary from year to year. Upon the completion of our contracts on hand, in the event that our Group is unable to secure new contracts or has not commenced work for any of our new contracts, our revenue and financial performance may be adversely affected.

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Construction activities in Hong Kong and Macau

During the Track Record Period, we derived all of our revenue from the provision of foundation works and ancillary services in Hong Kong and Macau. The demand for our work is correlated to construction activities, in particular those related to property and infrastructure projects, in Hong Kong and Macau. We believe the property and infrastructure sectors are cyclical in nature. If the overall value and number of property and infrastructure projects decrease, the demand for our foundation works and ancillary services may reduce and our operations and profitability may be adversely impacted.

Fluctuations in cost of sales

Our most significant cost of sales are costs of construction materials, such as steel and concrete, and staff costs. During the Track Record Period, costs of construction materials accounted for approximately 26.5%, 38.0% and 33.4% of our cost of sales, respectively, and staff costs accounted for approximately 28.6%, 24.4% and 34.1% of our cost of sales, respectively. Fluctuations in the costs of construction materials and staff costs and our ability to include appropriate cost estimates in the tendering process or preparation of quotations and to pass on any increase in these costs to our customers will affect our profitability.

Maintaining service standards and works quality

As a foundation works contractor, our Directors believe that it is important that our Group provides reliable foundation works and ancillary services to maintain existing customers and attract new customers. Our Directors also believe that our Group's ability to retain experienced staff, maintain quality of services and maintain quality foundation standard is key to the performance of our Group.

Timely settlement by our customers

In general, for our foundation works and ancillary services contracts, we submit monthly payment applications to our customers and normally require our customers to make progress payments calculated in accordance with the value of works completed, which may include variation works and claim, if any. The billings for each project are made in accordance with the stipulated terms and conditions of the respective contracts. If our customers experience financial distress or are unable to settle their payments due to us in a timely manner or at all, the financial condition and results of operations of our Group could be materially and adversely affected.

CRITICAL ACCOUNTING POLICIES

Our Group's significant accounting policies, which are relevant for the discussion and analysis of our financial condition and results of operations as included in this prospectus, are set forth in details in note 2 to the Accountant's Report set out in Appendix I to this prospectus. Critical accounting policies are those that are most important to the portrayal of our Group's results of operations and financial position and require management to exercise its judgement in the process of applying our Group's accounting policies. The assumptions and estimates are made based on historical experience and various other

FINANCIAL INFORMATION

assumptions that we believe to be reasonable, the results of which form the basis of judgments on our carrying amounts of assets and liabilities and our results. We believe the following critical accounting policies involve the most significant estimates and judgments used in the preparation of our Group's financial statements.

Significant accounting policies

Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

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

Depreciation of both owned and leased plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over the estimated useful lives, as follows:

Machinery and equipment	10-15 years
Furniture and fixtures	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the combined statements of comprehensive income.

Leased assets

Our Group leases certain machinery and equipment. Leases of machinery and equipment where our Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased machinery and equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the combined statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Our machinery and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

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

Our Group uses the “percentage-of-completion method” to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

On the combined balance sheets, our Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case. Progress billings not yet paid by the customers and retention receivables are included in current assets as our Group expects to realise these within its normal operating cycle of the business.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of our Group’s activities. Our Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met. Revenue is shown net of sales tax, returns, rebates and discounts and after eliminating sales within our Group.

Revenue from construction contracts is recognised based on the stage of completion of the contracts.

Rental income from machinery leasing is recognised based on the straight-line basis over the lease terms.

Trade and other receivables

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. A provision for impairment of trade and other receivables is established when there is objective evidence that our Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of a provision account, and the amount of the loss is

FINANCIAL INFORMATION

recognised in the combined statements of comprehensive income within “administrative expenses”. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against “administrative expenses” in the combined statements of comprehensive income.

Impairment of non-financial assets

Assets that have an indefinite useful life 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 that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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SUMMARY OF COMBINED FINANCIAL AND OPERATING DATA

The following is a summary of our Group's combined financial and operating information extracted from the audited combined statements of comprehensive income and combined balance sheets from the Accountant's Report for the years ended and as at 31 March 2012, 2013 and 2014, which is included in Appendix I to this prospectus. Information set out in this section should be read in conjunction with the financial information included in the Accountant's Report set forth in Appendix I to this prospectus, together with the accompanying notes.

Combined statements of comprehensive income

	Year ended 31 March		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	98,428	375,147	492,734
Cost of sales	(65,736)	(272,557)	(327,100)
	<hr/>	<hr/>	<hr/>
Gross profit	32,692	102,590	165,634
Other income and gain, net	15,742	782	2,867
Administrative expenses	(20,638)	(31,961)	(29,447)
	<hr/>	<hr/>	<hr/>
Operating profit	27,796	71,411	139,054
Finance income	–	–	583
Finance costs	(1,800)	(3,140)	(9,742)
	<hr/>	<hr/>	<hr/>
Finance costs, net	(1,800)	(3,140)	(9,159)
	<hr/>	<hr/>	<hr/>
Profit before income tax	25,996	68,271	129,895
Income tax expense	(1,788)	(12,649)	(2,809)
	<hr/>	<hr/>	<hr/>
Profit for the year	24,208	55,622	127,086
Other comprehensive income	–	–	–
	<hr/>	<hr/>	<hr/>
Profit and total comprehensive income attributable to equity holders of the Company	24,208	55,622	127,086
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Dividends	–	50,000	50,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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Combined balance sheets

	As at 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Plant and equipment	202,691	314,777	398,832
Deferred income tax assets	2,927	640	3,602
Deposits and prepayments	1,360	480	1,368
	206,978	315,897	403,802
	206,978	315,897	403,802
Current assets			
Trade and retention receivables	8,223	96,749	78,586
Deposits, prepayments and other receivables	9,383	8,556	3,115
Inventories	3,737	850	–
Amounts due from customers for contract work	36,373	9,648	19,481
Amounts due from related companies	707	202	386
Income tax receivable	176	440	27
Restricted bank balances	–	–	36,138
Cash and cash equivalents (excluding bank overdraft)	3,253	22,506	85,937
	61,852	138,951	223,670
	61,852	138,951	223,670
Total assets	268,830	454,848	627,472

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	As at 31 March		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
EQUITY			
Capital and reserves			
Share capital	78	78	78
Reserves	85,933	141,555	218,641
	<hr/>	<hr/>	<hr/>
Total equity	86,011	141,633	218,719
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
LIABILITIES			
Non-current liabilities			
Long-term borrowings	9,173	56,334	37,806
Deferred income tax liabilities	18,899	29,147	31,846
Amount due to a director	20,079	–	–
	<hr/>	<hr/>	<hr/>
	48,151	85,481	69,652
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Current liabilities			
Trade and retention payables	8,320	30,064	14,873
Accruals and other payables	10,198	21,410	22,284
Amounts due to customers for contract work	–	36,281	–
Amount due to a director	93,067	–	–
Borrowings	23,083	139,864	298,876
Income tax payable	–	115	3,068
	<hr/>	<hr/>	<hr/>
	134,668	227,734	339,101
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities	182,819	313,215	408,753
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities	268,830	454,848	627,472
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Net current liabilities	(72,816)	(88,783)	(115,431)
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Total assets less current liabilities	134,162	227,114	288,371
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

FINANCIAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

During the Track Record Period, our Group recorded revenue of approximately HK\$98.4 million, HK\$375.1 million and HK\$492.7 million respectively, representing year-on-year increase of approximately 281.2% and 31.4%. Our Group recorded a net profit of approximately HK\$24.2 million, HK\$55.6 million and HK\$127.1 million during the Track Record Period, representing a year-on-year increase of approximately 129.8% and 128.6% respectively.

REVENUE

Our Group derived all of our revenue from foundation works and ancillary services during the Track Record Period.

Revenue of our Group from foundation works and ancillary services is recognised based on the stage of completion of the contracts. Our Group submits payment applications to our customers usually on a monthly basis. The monthly cut-off date of such payment applications is normally specified in the contracts. Typically, our customers, or authorised persons employed by our customers in the case of us being a main contractor, certify the value of the works completed, which may include variation works and claims, if any, and our customers arrange settlement in respect of the portion of foundation works and ancillary services completed.

Upon completion of each foundation works and ancillary services project, our Group submits payment applications to our customers which may include the variation works carried out by our Group and claims, if any. Due to the complexity of foundation works and ancillary services, which may be subject to ground conditions, weather and potential additional works to the original contractual terms, thus variation works and differences in the progress of foundation works from the original schedule are common in our industry. The negotiation of the final settlement between our Group and our customer is often a prolonged process which is not uncommon in the construction industry. Therefore, it is possible that our Group receives settlement of the outstanding sum of a contract after a prolonged period subsequent to the completion of the foundation works and ancillary services projects. Such is evidenced by the settlement made by our customer of the respective Previous Projects after negotiation of a prolonged period.

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Our foundation works and ancillary services under the First Previous Project and Second Previous Project were completed in 2003 and 2007, respectively. However, our Group had certain disputes with the respective customer in relation to the value of works performed by our Group under each of the Previous Projects. Following negotiation of a prolonged period and subsequent settlement between our Group and the respective customer which took place after the completion of the Previous Projects respectively, a settlement agreement was entered into between our Group and our respective customer in respect of each of the Previous Projects. Our Group recognised revenue of approximately HK\$2.5 million and HK\$15.1 million for the First Previous Project and Second Previous Project respectively during the year ended 31 March 2012 based on the progress of the dispute at the time. Such amounts were not recognised prior to the year ended 31 March 2012 as our Directors believed that there were significant uncertainties around the outcome and amount of claims under dispute, thus such claims cannot be estimated reliably at the time.

Revenue of our Group has increased during the Track Record Period due to the increased contract value of foundation works and ancillary services performed by our Group during the year ended 31 March 2013 and 2014, which corresponded to the increase in construction activities in Hong Kong and Macau during the same period.

Set out below is the revenue of our Group derived from foundation works and ancillary services as classified by sector during the Track Record Period.

	For the year ended 31 March					
	2012		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Revenue						
Foundation works and ancillary services						
– Public sector projects	93,078	94.6	4,972	1.3	–	–
– Private sector projects	5,350	5.4	370,175	98.7	492,734	100.0
	98,428	100.0	375,147	100.0	492,734	100.0

In addition, we also set out in the following table a breakdown of our Group's revenue by our role, namely a main contractor, a subcontractor or a sub-subcontractor, for foundation works and ancillary services projects during the Track Record Period:

Revenue by our Group's role	For the year ended 31 March					
	2012		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	5,350	5.4	200,207	53.4	449,599	91.2
Subcontractor (<i>Note</i>)	82,662	84.0	166,936	44.5	21,924	4.4
Sub-subcontractor	10,416	10.6	8,004	2.1	21,211	4.3
	98,428	100.0	375,147	100.0	492,734	100.0

Note: Included in the revenue derived from foundation works and ancillary services projects where our Group acted as a subcontractor was approximately HK\$2.5 million and HK\$15.1 million related to the First Previous Project and the Second Previous Project, respectively.

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Save for the year ended 31 March 2012, our Group derived the majority of revenue from private sector foundation works and ancillary services projects, which accounted for approximately 5.4%, 98.7% and 100.0% of our revenue from foundation works and ancillary services during the Track Record Period. Save for the year ended 31 March 2012, our Group derived a majority of revenue from undertaking the role as the main contractor for foundation works and ancillary services projects, which accounted for approximately 5.4%, 53.4% and 91.2% of our revenue from foundation works and ancillary services during the Track Record Period. Set out below is the list of projects carried out by our Group during the Track Record Period and the percentage of completion measured by revenue recognised as a percentage of the total contract sum as at 31 March 2014:

Project	Category	For the year ended 31 March			Total revenue recognised during the Track Record Period HK\$'000	Role of our Group	Completion % (Note 1)
		2012	2013	2014			
		HK\$'000	HK\$'000	HK\$'000			
Design and construction of foundation system for hotel development in Central (the "Central Hotel Development Project") (Note 2)	Private	5,350	-	500	5,850	Main contractor	Completed
Express rail link project 1	Public	37,873	-	-	37,873	Subcontractor	Completed
Express rail link project 2	Public	27,200	-	-	27,200	Subcontractor	Completed
Road improvement and extension in Yuen Long	Public	10,416	4,972	-	15,388	Sub-subcontractor	Completed
Redevelopment project at Causeway Bay	Private	-	11,558	1,183	12,741	Subcontractor	Completed
Logistics centre in Tsing Yi (the "Logistics Centre Project")	Private	-	148,832	699	149,531	Subcontractor	Completed
Foundation work and basement excavation in Wong Tai Sin District (the "Wong Tai Sin Project")	Private	-	159,867	2,289	162,156	Main contractor	Completed
Large diameter bored piles installation works in Cheung Sha Wan	Private	-	3,032	1,171	4,203	Sub-subcontractor	Completed
Hotel Tower Project	Private	-	40,340	434,581	474,921	Main contractor	Completed
New building bored piling works at Kowloon City	Private	-	6,546	1,996	8,542	Subcontractor	Completed
Residential building bored piling works at Kowloon City	Private	-	-	17,268	17,268	Subcontractor	Completed
Composite Development Project	Private	-	-	778	778	Subcontractor	0.2%
Multi-storey logistics centre at Tsing Yi	Private	-	-	12,229	12,229	Main contractor	4.2%
Hotel Casino Project	Private	-	-	20,040	20,040	Sub-subcontractor	5.7%
		80,839	375,147	492,734	948,720		
Revenue from Previous Projects (Note 3)		17,589	-	-	17,589		
		98,428	375,147	492,734	966,309		

Notes:

- (1) The percentage of work completed is based on the payment certificate issued by our customers or authorised persons employed by our customers or the submission of payment application of the relevant project by our Group. Percentage of completion represents the amount of works certified as a percentage of the original contract sum (excluding contingent and/or provisional contract amounts).
- (2) Our contractual work for the Central Hotel Development Project has ceased at the request of our customer. Approximately HK\$0.5 million, being the final settlement of our works as agreed with our customer, was recorded during the year ended 31 March 2014.
- (3) Revenue from Previous Projects represents the settlement of outstanding sums of two projects of which our works had been completed prior to the Track Record Period.

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During the year ended 31 March 2012, we recognised revenue from Previous Projects of approximately HK\$17.6 million. The associated costs of approximately HK\$9.8 million had been incurred and recorded under amounts due from customers for contract work on our combined balance sheets prior to the Track Record Period. We recognised the associated costs in cost of sales during the year ended 31 March 2012.

Our Group completed 11 projects during the Track Record Period. As at 31 July 2014, our Group has five contracts on hand (including contracts in progress and contracts of which our work has yet to commence) with an aggregate contract sum of approximately HK\$1,348.6 million, with percentage of completion ranging from approximately nil to 68.3% based on the revenue recognised up to the Latest Practicable Date and the original contract sum (excluding contingent and/or provisional contract amounts) of the respective projects. For further details of our contracts on hand, please refer to the paragraph headed “Business – Contracts on hand” in this prospectus.

COST OF SALES

Cost of sales mainly include costs of construction materials, staff costs, consultancy fee, parts and consumables, subcontracting charges, transportation and other expenses, which is primarily recognised and transferred from work-in-progress to the combined statements of comprehensive income based on the percentage of completion. Our cost of sales increased during the Track Record Period due to the increase in foundation works and ancillary services carried out by our Group.

The following table sets out a breakdown of our cost of sales during the Track Record Period:

	For the year ended 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of sales			
Costs of construction materials	17,424	103,455	109,176
Concrete	6,720	36,669	39,530
Steel	10,157	66,173	67,159
Others	547	613	2,487
Staff costs	18,779	66,513	111,379
Consultancy fee	328	5,261	24,861
Parts and consumables	16,296	38,770	26,338
Subcontracting charges	2,521	17,619	11,669
Transportation	914	13,326	11,701
Depreciation			
– owned plant and equipment	3,286	4,720	7,236
– leased plant and equipment	1,142	1,810	2,519
Repair and maintenance	3,440	5,056	5,308
Machinery and equipment leasing	578	5,474	6,464
Staff quarters	–	751	3,379
Survey fee	–	568	2,922
Site management fee	156	1,008	777
Insurance	132	3,900	746
Others	740	4,326	2,625
	65,736	272,557	327,100
	<i>(Note)</i>		

Note: inclusive of approximately HK\$9.8 million which represents costs associated with the outstanding sums of the Previous Projects of which our works had been completed prior to the Track Record Period.

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Our most significant costs of sales are costs of construction materials and staff costs, which accounted for approximately 26.5% and 28.6%, 38.0% and 24.4%, 33.4% and 34.1% of the cost of sales during the Track Record Period, respectively. The proportion of construction materials and staff costs in cost of sales depends on, among other factors, the design and requirements of foundation works and ancillary services projects and varies from project to project.

During the Track Record Period, the costs of construction materials amounted to approximately HK\$17.4 million, HK\$103.5 million and HK\$109.2 million, respectively, representing a year-on-year increase of approximately 494.8% and 5.5%, respectively. The notable increase in costs of construction materials from the year ended 31 March 2012 to year ended 31 March 2013 is primarily due to the increased foundation works and ancillary services performed by our Group. Such increase in the costs of construction materials was notably higher than the increase in revenue from foundation works and ancillary services of approximately 281.2% during the same period. During the year ended 31 March 2013, our Group carried out the Logistics Centre Project and the Wong Tai Sin Project, together contributed approximately 82.3% of our revenue for the year ended 31 March 2013, involved the construction of piles, the requirements for construction materials input of which are notably higher than the Express rail link project 2 carried out by our Group for the year ended 31 March 2012 which involved the removal of previously installed piles and the clearance of a work site for development.

Costs of construction materials increased from approximately HK\$103.5 million for the year ended 31 March 2013 to approximately HK\$109.2 million for the year ended 31 March 2014 as our revenue recorded a year-on-year increase of approximately HK\$117.6 million. The year-on-year increase in costs of construction materials was primarily due to majority of the revenue recorded in the year ended 31 March 2014 was derived from the Hotel Tower Project, being our largest completed contract by revenue during the Track Record Period, which incurred more staff costs and costs of construction materials compared to the relevant costs in aggregate recorded for other projects undertaken in the year ended 31 March 2013 due to the scope of the Hotel Tower Project.

Staff costs increased during the Track Record Period due to the hiring of additional project management staff and construction workers in response to the increase in foundation works and ancillary services carried out by our Group as well as the increase in salary. The number of project management staff increased from eight as at 31 March 2012, to nine as at 31 March 2013 and further to 15 as at 31 March 2014. The number of construction workers increased from 53 as at 31 March 2012, to 69 as at 31 March 2013 and further to 186 as at 31 March 2014.

Consultancy fee mainly consisted of fees of consultants engaged to advise on commercial, project administration and implementation matters. The increase in consultancy fee over the Track Record Period was mainly attributable to the costs of the Macau consultants engaged to advise on the aforesaid matters for the Hotel Tower Project.

Parts and consumables include lubricants and fuel for machinery and equipment, and other tools and spare parts which are depleted or worn out in foundation works and ancillary services projects. Parts and consumables accounted for approximately 24.8%, 14.2% and 8.1% of the cost of sales during the Track Record Period, respectively. Parts and consumables accounted for a higher percentage of our cost of sales for the year ended 31 March 2012 mainly due to the Second Previous Project.

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Our Group also engages subcontractors for parts of the works of our contract, such as site surveying, ground investigation, utility connection, steel fixing, proof drilling and grouting. Subcontracting charges amounted to approximately HK\$2.5 million, HK\$17.6 million and HK\$11.7 million, during the Track Record Period respectively, representing approximately 3.8%, 6.5% and 3.6% of our cost of sales during the Track Record Period, respectively. Subcontracting charges accounted for a relatively high percentage of our cost of sales for the year ended 31 March 2013 as our Group outsourced site surveying ground investigation and certain non-construction works of three sizeable projects, namely the Logistics Centre Project, the Wong Tai Sin Project and the Hotel Tower Project to our subcontractors.

Transportation costs amounted to approximately HK\$0.9 million, HK\$13.3 million and HK\$11.7 million, during the Track Record Period respectively, representing approximately 1.4%, 4.9% and 3.6% of the cost of sales during the Track Record Period, respectively, which is primarily related to (i) costs arising from the transportation of our machinery and equipment between Hong Kong and Macau by freight for the Hotel Tower Project; and (ii) transportation and dumping charges for soil extracted from construction sites.

The following sensitivity analysis illustrates the impact of hypothetical changes, based on historical fluctuations during the Track Record Period, in costs of steel and concrete, staff costs and subcontracting charges under cost of sales for the respective periods during the Track Record Period:

Sensitivity analysis on price of steel

% Change in price of steel %	For the year ended 31 March					
	2012		2013		2014	
	Corresponding (decrease) in cost of sales HK\$'000	% Change in cost of sales %	Corresponding (decrease) in cost of sales HK\$'000	% Change in cost of sales %	Corresponding (decrease) in cost of sales HK\$'000	% Change in cost of sales %
(2.0%)	(134.4)	(0.2%)	(733.4)	(0.3%)	(790.6)	(0.2%)
(7.0%)	(470.4)	(0.7%)	(2,566.8)	(0.9%)	(2,767.1)	(0.8%)
(12.0%)	(806.4)	(1.2%)	(4,400.3)	(1.6%)	(4,743.6)	(1.5%)
(17.0%)	(1,142.4)	(1.7%)	(6,233.7)	(2.3%)	(6,720.1)	(2.1%)

Sensitivity analysis on price of concrete

% Change in price of concrete %	For the year ended 31 March					
	2012		2013		2014	
	Corresponding increase/ (decrease) in cost of sales HK\$'000	% Change in cost of sales %	Corresponding increase/ (decrease) in cost of sales HK\$'000	% Change in cost of sales %	Corresponding increase/ (decrease) in cost of sales HK\$'000	% Change in cost of sales %
18.0%	1,828.3	2.8%	11,911.1	4.4%	12,088.6	3.7%
7.0%	711.0	1.1%	4,632.1	1.7%	4,701.1	1.4%
(3.0%)	(304.7)	(0.5%)	(1,985.2)	(0.7%)	(2,014.8)	(0.6%)
(14.0%)	(1,422.0)	(2.2%)	(9,264.2)	(3.4%)	(9,402.3)	(2.9%)

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Sensitivity analysis on staff costs

% Change in staff costs %	For the year ended 31 March					
	2012		2013		2014	
	Corresponding increase in cost of sales HK\$'000	% Change in cost of sales %	Corresponding increase in cost of sales HK\$'000	% Change in cost of sales %	Corresponding increase in cost of sales HK\$'000	% Change in cost of sales %
22.0%	4,131.4	6.3%	14,632.9	5.4%	24,503.4	7.5%
17.0%	3,192.4	4.9%	11,307.2	4.1%	18,934.4	5.8%
11.0%	2,065.7	3.1%	7,316.4	2.7%	12,251.7	3.7%
6.0%	1,126.7	1.7%	3,990.8	1.5%	6,682.7	2.0%

Sensitivity analysis on subcontracting charges (Note 2)

% Change in subcontracting charges %	For the year ended 31 March					
	2012		2013		2014	
	Corresponding increase in cost of sales HK\$'000	% Change in cost of sales %	Corresponding increase in cost of sales HK\$'000	% Change in cost of sales %	Corresponding increase in cost of sales HK\$'000	% Change in cost of sales %
22.0%	554.6	0.8%	3,876.2	1.4%	2,567.2	0.8%
17.0%	428.6	0.7%	2,995.2	1.1%	1,983.7	0.6%
11.0%	277.3	0.4%	1,938.1	0.7%	1,283.6	0.4%
6.0%	151.3	0.2%	1,057.1	0.4%	700.1	0.2%

Notes: (1) The sensitivity analysis above assumes that only one variable changes while other variables remain unchanged. This sensitivity analysis is intended for reference only, and any variation may differ from the amounts indicated. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact of changes in the costs of steel and concrete, staff costs and subcontracting charges respectively and does not reflect changes in our turnover.

(2) Due to the range and mix of subcontracted services provided to our Group, such as site surveying, ground investigation, utility connection, steel fixing, proof drilling and grouting, during the Track Record Period, the historical fluctuation of subcontracting charges is not an appropriate reference for sensitivity analysis. As such, the sensitivity analysis of subcontracting charges is based on the historical fluctuations of staff costs.

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GROSS PROFIT

The following table sets out a breakdown of the gross profit and gross profit margin of our Group for the years indicated:

	For the year ended 31 March					
	2012		2013		2014	
	<i>Gross profit margin</i> <i>HK\$'000</i>	<i>%</i>	<i>Gross profit margin</i> <i>HK\$'000</i>	<i>%</i>	<i>Gross profit margin</i> <i>HK\$'000</i>	<i>%</i>
Gross profit from foundation works and ancillary services	<u>32,692</u>	33.2	<u>102,590</u>	27.3	<u>165,634</u>	33.6

During the Track Record Period, our Group recorded gross profit margin of approximately 33.2%, 27.3% and 33.6%, respectively. As the Hotel Tower Project contributed approximately 88.2% of our total revenue and substantially towards our gross profit recorded for the year ended 31 March 2014, the gross profit margin of approximately 33.6% for the year ended 31 March 2014 were largely attributable to the Hotel Tower Project.

For the year ended 31 March 2013, the gross profit margin of approximately 27.3% was largely attributable to the gross profit margin of the Wong Tai Sin Project and the Logistics Centre Project as these foundation works and ancillary services projects contributed approximately 82.3% of our revenue in aggregate for the year ended 31 March 2013.

The comparatively higher gross profit margin recorded in the year ended 31 March 2012 compared to the year ended 31 March 2013 was mainly attributable to the Express rail link projects 1 and 2, which accounted for approximately 38.5% and 27.6% of our revenue from foundation works and ancillary services for the year ended 31 March 2012.

The Express rail link project 1 commanded a relatively high gross profit margin due to the award of an incentive payment as the project was completed within the agreed schedule. Our Group also completed the Express rail link project 2 during the year ended 31 March 2012, which involved the removal of previously installed piles and commanded a higher gross profit margin compared to other foundation works and ancillary services projects of our Group during Track Record Period. Such project involved relatively more technical expertise and less input of construction materials when compared to other foundation works and ancillary services projects undertaken by our Group during Track Record Period.

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In addition, we recorded revenue and cost of sales approximately HK\$17.6 million and HK\$9.8 million from the Previous Projects respectively.

OTHER INCOME

During the Track Record Period, our other income primarily consisted of (i) machinery and equipment leasing income; (ii) recovery from insurance claim; (iii) gains on disposal of machinery and equipment; and (iv) others.

ADMINISTRATIVE EXPENSES

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

	For the year ended 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Administrative expenses			
Staff costs, including Directors' emoluments	6,062	8,550	11,639
Auditors' remuneration	690	720	750
Depreciation			
– owned plant and equipment	851	652	666
Operating lease rental in respect of			
– office and storage premises	2,273	2,956	3,299
– Directors' quarters	1,121	2,032	2,167
Professional fees			
– incurred for initial public offering (<i>Note</i>)	–	8,078	1,528
– others	6,242	3,493	3,049
Recovery of bad debt	–	(570)	–
Entertainment expenses	1,357	1,700	2,373
Motor vehicle expenses	1,493	1,999	1,171
Bank charges	41	544	579
Others	508	1,807	2,226
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Total	20,638	31,961	29,447
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note: Approximately HK\$8.1 million of professional fees incurred for initial public offering for the year ended 31 March 2013 is related to our Company's listing application for the Growth Enterprise Market of the Stock Exchange.

Staff Costs

Staff costs in administrative expenses include Directors' emoluments, management, administrative and operational staff costs. Staff costs increased over the Track Record Period due to the increase in the number of management, administrative and operational staff as well as the increase in staff salary and Director's emoluments.

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Directors' remuneration and benefits

Directors' remuneration and benefits include Directors' salary, mandatory provident fund contribution and other benefits which mainly related to rental expenses for Directors' quarters. During the Track Record Period, Directors' remuneration and benefits, which amounted to approximately HK\$2.8 million, HK\$4.4 million and HK\$4.7 million respectively, were recorded in administrative expenses under staff costs and operating lease rental in respect of Directors' quarters.

The increase in Director's remuneration and benefits since the year ended 31 March 2012 was mainly attributable to the increase in Directors' fees and rental expenses for Directors' quarters.

Operating lease rental

Our Group incurred operating lease rental in respect of (i) office and storage premises; and (ii) Directors' quarters. Operating lease rental in respect of office and storage premises represent the occupancy expenses of our Group's offices and site for open storage and service depot for machinery and equipment. The site for open storage and service depot for machinery and equipment was leased from a company 100% beneficially owned by Mr. Lau. Please refer to the paragraph headed "Connected transactions and waiver - Tenancy Agreements" in this prospectus for details.

Operating lease rental in respect of Directors' quarter represent the rental expenses for the quarters and car parking space(s) provided to (i) Mr. Lau and Ms. Leung; (ii) Mr. Lau Chun Kwok; and (iii) Mr. Lau Chun Ka. Please refer to the paragraph headed "Connected transactions and waiver – Tenancy Agreements" in this prospectus for details.

Professional fees

Professional fees include fees of legal and other advisers in connection with (i) the initial public offering of our Company; and (ii) commercial matters of our Group. The professional fees recorded in administrative expenses amounted to approximately HK\$6.2 million, HK\$11.6 million and HK\$4.6 million during the Track Record Period. The higher professional fees recorded for the year ended 31 March 2013 compared to the years ended 31 March 2012 and 2014 was largely attributable to the professional fees incurred for the initial public offering of approximately HK\$8.1 million for the year ended 31 March 2013.

Other administrative expenses

Entertainment expenses and others, which included travelling (local and overseas), stationery, telecommunication charges and other sundry expenses, increased over the Track Record Period primarily due to our business expansion. Motor vehicles expenses, consisted of motor vehicles repair and maintenance costs, fuel costs, vehicle registration licence fees and insurance.

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FINANCE COSTS

Finance costs mainly represent interest expenses for bank loans and bank overdraft and interest expenses on obligations under finance leases of machinery and equipment.

For the three years ended 31 March 2014, the weighted average interest rates on (i) our long-term bank loans were approximately 3.8%, 4.0% and 2.9%, respectively; and (ii) our obligations under finance leases were approximately 3.9%, 3.8% and 3.1%, respectively. As for our short-term bank loan, the weighted average interest rate were approximately 3.1% and 5.0% for each of the years ended 31 March 2013 and 2014, respectively. We had no short-term bank loan as at 31 March 2012. As for our bank overdraft, the weighted average interest rate was approximately 1.4% for the year ended 31 March 2014. We had no bank overdraft outstanding as at 31 March 2012 and 2013, respectively. Finance costs related to our outstanding bank loans, obligations under finance leases and bank overdraft for the three years ended 31 March 2014 were approximately HK\$1.8 million, HK\$3.1 million and HK\$9.7 million, respectively. The increase in finance costs over the Track Record Period was mainly attributable to the increase in bank borrowings which in turn increased the interest expenses incurred.

INCOME TAX EXPENSES

Our Group was not subject to any income tax in the Cayman Islands and BVI during the Track Record Period. The provision for Hong Kong profits tax and Macau profits tax was calculated at 16.5% and 12.0% of the relevant estimated assessable profits for the Track Record Period, respectively.

Machinery Lease Agreement

For the two years ended 31 March 2014, our Group, through SW Foundation (Macau), derived revenue of approximately HK\$40.3 million and HK\$434.6 million from the Hotel Tower Project based in Macau, respectively. In connection with the Hotel Tower Project, SW Engineering Equipment (as lessor and for and on behalf of SW Bore Pile as its agent under the Machinery Agency Agreement) entered into the Machinery Lease Agreement on 7 January 2013 with SW Foundation (Macau) whereby SW Foundation (Macau) was charged a monthly fee for leasing machinery and equipment from SW Engineering Equipment, which is considered to be tax deductible for the purposes of calculating Macau tax. As at the Latest Practicable Date, SW Foundation (Macau) is expected to continue to lease machinery and equipment from SW Engineering Equipment.

Hong Kong taxation

Based on the L&AY Hong Kong Tax Opinion, the aforesaid intra-group leasing income of approximately HK\$6.8 million and HK\$133.2 million recorded in each of the two years ended 31 March 2014 derived by SW Engineering Equipment from the leasing of machinery and equipment to SW Foundation (Macau) in Macau are considered to be income attributable to the provision of machinery and equipment for use exclusively in Macau. In addition, SW Bore Pile, through SW Engineering Equipment as its agent under the Machinery Agency Agreement, leased machinery and equipment to SW Foundation (Macau) under the Machinery Lease Agreement and derived approximately nil and HK\$18.0 million for the two years ended 31 March 2014, respectively. According to the L&AY Hong Kong Tax Opinion, with reference to (i) section 14(1) of the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong) in relation to charge of profits tax in Hong Kong; (ii) section 23B of the Inland Revenue Ordinance in relation to the ascertainment of the assessable profits of a ship-owner carrying on business in Hong Kong; (iii) Departmental Interpretation and Practice Notes issued by the Inland Revenue Department (the “DIPN(s)”) no. 15 in relation to, among others, leasing arrangements, DIPN no. 21 in relation to the locality of profits, and DIPN no. 49 in relation to profits tax deduction of capital expenditure on relevant intellectual property rights and taxation of royalties derived from licensing of intellectual property rights; and (iv) precedent court cases in Hong Kong in relation to offshore claims of a similar nature, the leasing

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income arising from the Machinery Lease Agreement derived by SW Engineering Equipment and SW Bore Pile respectively is regarded as sourced outside of Hong Kong and is not chargeable to Hong Kong tax pursuant to section 15(1)(d) of the Inland Revenue Ordinance.

According to the L&AY Hong Kong Tax Opinion, sections 61 and 61A of the Inland Revenue Ordinance are the general anti-avoidance provisions to counter-act tax avoidance arrangements. Section 61 of the Inland Revenue Ordinance empowers the Inland Revenue Department to disregard an artificial or fictitious transaction. According to the DIPN no. 15 (latest update January 2006), an artificial or fictitious transaction refers to arrangement which is commercially unrealistic and never intended to be carried out by the parties in the transactions. As for section 61A of the Inland Revenue Ordinance, it applies to any transaction or arrangement entered into for the sole or dominant purpose of enabling a person to obtain a Hong Kong tax benefit.

The L&AY Hong Kong Tax Opinion sets out that the Machinery Lease Agreement is for the purpose of providing the leased machines, made available by SW Engineering Equipment and SW Bore Pile, for the use of SW Foundation (Macau) and the leasing income is a commercial consideration to reward the owner of the asset for providing the right of use to the lessee. The charging of the leasing income is not for the sole or dominant purpose of conferring a Hong Kong tax benefit to the parties involved, i.e. SW Engineering Equipment, SW Bore Pile or SW Foundation (Macau). As such, Lau & Au Yeung C.P.A. Limited is of the view that the Hong Kong tax benefit derived from the offshore claim of SW Engineering Equipment and SW Bore Pile is not the purpose of the Machinery Lease Agreement (including the Machinery Agency Agreement), it is merely part of the financial outcome of the lease agreement and therefore concludes that the Machinery Lease Agreement (including the Machinery Agency Agreement) cannot be challenged by sections 61 and 61A of the Inland Revenue Ordinance.

Furthermore, according to the L&AY Hong Kong Tax Opinion, there is no comprehensive agreement for avoidance of double taxation (“CDTA”) between Hong Kong and Macau in respect of income in general. In the absence of a CDTA, income such as those derived by SW Engineering Equipment and SW Bore Pile under the Machinery Lease Agreement (including the Machinery Agency Agreement) derived from Macau by a Hong Kong entity shall be determined by the Macau tax authority based on its local tax law. Similarly, the Hong Kong tax authority shall determine the taxability of such other income derived by the Hong Kong entity based on the Hong Kong tax law and practice. The Hong Kong tax liability, if any, on the leasing income from the Machinery Lease Agreement (including the Machinery Agency Agreement) shall be determined based on Hong Kong tax law and practice.

In this regard, to the best knowledge of Lau & Au Yeung C.P.A. Limited, with reference to the Inland Revenue Ordinance, the relevant DIPNs and tax cases (under the courts of Hong Kong and board of review decisions), whether or not the income has been charged to tax in another jurisdiction is not a relevant factor in determining whether the same income should be chargeable or exempt from Hong Kong tax. A foreign tax charge and a Hong Kong tax liability are not mutually exclusive. Similarly, income of a taxpayer may be exempt from tax both in Hong Kong and other jurisdictions (i.e. it may be taxed nowhere). Accordingly, Lau & Au Yeung C.P.A. Limited is of the view that the leasing income from the Machinery Lease Agreement (including the Machinery Agency Agreement) is offshore and non-taxable for Hong Kong tax purpose, a position which is unaffected by the Macau tax implications on the income or the Macau tax position of SW Engineering Equipment, SW Bore Pile or SW Foundation (Macau).

In this connection, our Company also engaged PricewaterhouseCoopers Limited to provide another Hong Kong tax opinion in respect of the tax treatment of the intra-group leasing income under the Machinery Lease Agreement and the Machinery Agency Agreement (i.e. the PwC Hong Kong Tax Opinion). As set out in the PwC Hong Kong Tax Opinion, having considered factors including (i) legislative discussions on section 39E of the Inland Revenue Ordinance; (ii) DIPN no. 15 in relation to, among others, leasing arrangements and DIPN no. 21 in relation to the locality of profits; (iii) case law precedents in relation to determining the source of rental income from leasing machinery; and (iv) the fact that the leased machinery and equipment from which the rental income was derived by SW Engineering Equipment and SW Bore Pile under the Machinery Lease Agreement are used wholly outside Hong Kong by SW Foundation (Macau), PricewaterhouseCoopers Limited has concluded that such leasing income

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should be considered to arise and be derived from outside Hong Kong and, therefore, not subject to Hong Kong tax. The PwC Hong Kong Tax Opinion also sets out that whether the relevant profits are taxable, or not taxable, in another jurisdiction is generally of no relevance in determining profits tax liability in Hong Kong. As such, the PwC Hong Kong Tax Opinion comes up with no different conclusion.

In addition, according to the PwC Hong Kong Tax Opinion, having considered factors including tax law and case law principles for the application of sections 61 and 61A of the Inland Revenue Ordinance, PricewaterhouseCoopers Limited is of the view that there is technical basis neither section 61 nor section 61A of the Inland Revenue Ordinance would have any application in the present case to the taxation of SW Engineering Equipment or SW Bore Pile in relation to income derived from the relevant leasing transactions under the Machinery Leasing Agreement.

Macau taxation

Based on the Macau Legal Opinion, pursuant to paragraphs 1 and 3 of article 9 of the Industrial Tax Regulation, SW Engineering Equipment and SW Bore Pile are not required to register with the Macau Finance Bureau for the purposes of Industrial Contribution and, according to articles 2 and 3 of the Complementary Income Tax Regulation, SW Engineering Equipment and SW Bore Pile would not be subject to taxation in Macau as neither would be deemed as conducting a commercial or industrial activity in Macau.

Paragraphs 1 and 3 of article 9 of the Industrial Tax Regulation determine that foreign companies that do not have a permanent establishment in Macau and develop in Macau (i) any construction works or prospection activities and research related thereto or (ii) technical or scientific services, including mere consultancy or assistance must be registered with the Macau Finance Bureau for the purposes of Industrial Contribution. SW Engineering Equipment and SW Bore Pile do not develop any construction works or prospection activities and research related thereto nor provides any technical or scientific services, including mere consultancy or assistance in Macau. This being the case, as the respective activity developed by SW Engineering Equipment and SW Bore Pile fall out of the scope of the provisions of paragraphs 1 and 3 of article 9 of the Industrial Tax Regulation, neither of them is required to register with the Macau Finance Bureau for the purposes of Industrial Contribution.

As regards Complementary Income Tax, article 2 of the Complementary Income Tax Regulation states that complementary income tax is levied over the global revenue defined according to article 3 of the Complementary Income Tax Regulation that any individual or corporation, regardless of residency or head office, derive from Macau. Article 3 of the Complementary Income Tax Regulation determines that the global revenue of corporations corresponds to the annual net profits derived from carrying-on a commercial or industrial activity in Macau.

According to the Machinery Lease Agreement, the equipment is leased in Hong Kong by SW Engineering Equipment to SW Foundation (Macau) for a period of one year and fifteen days (from 16 March 2013 to 31 March 2014), renewable by agreement between the parties, during which SW Foundation (Macau) would pay SW Engineering Equipment a monthly rent. The leased machinery (including that under the Machinery Agency Agreement) was delivered to SW Foundation (Macau) in Hong Kong, and the latter arranged and paid for its transportation and importation into Macau. Furthermore, upon expiry of the Machinery Lease Agreement, it is contractually established that SW Foundation (Macau) shall be responsible for returning the leased machinery (including that under the Machinery Agency Agreement) to SW Engineering Equipment in Hong Kong and paying the related costs.

As set out in the Macau Legal Opinion, considering the contents and specific terms of the Machinery Lease Agreement and that SW Engineering Equipment and SW Bore Pile do not conduct any actual activity in Macau, under the laws of Macau it cannot be considered that SW Engineering Equipment or SW Bore Pile performs any commercial or industrial activity locally. In addition, according to the current interpretation of articles 2 and 3 of the Complementary Income Tax Regulation and practice in Macau, except for those contracts listed under paragraphs 1 and 3 of article 9 of the Industrial Tax Regulation (as described above), entering into an isolated transaction would not constitute carrying on commercial or industrial activity in Macau. Therefore, SW Engineering Equipment and SW Bore Pile would not be subject to taxation in Macau.

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As for the reasoning for the relevant fees paid by SW Foundation (Macau) being tax deductible, as stated in the Macau Legal Opinion, such fees are costs directly related to the operation of SW Foundation (Macau)'s business and are thus considered tax deductible expenses under subparagraph (a) of article 21 of the Complementary Income Tax. As tax deductible expenses, the relevant fees paid by SW Foundation (Macau) would be tax deductible by SW Foundation (Macau) under the rules of the Complementary Income Tax Regulation and the accounting rules in force in Macau.

Furthermore, according to the Macau Legal Opinion, under prevailing Macau tax law, there are no transfer pricing rules or anti-avoidance rules. While the Macau tax authorities are legally allowed to analyse SW Foundation (Macau)'s tax returns, annual accounts and supporting documentation (including the Machinery Lease Agreement) submitted to them in July 2014, the Macau Finance Bureau is only empowered to determine whether expenses claimed by SW Foundation (Macau) are accepted as tax-deductible or not, and such power of analysis does not empower the Macau tax authorities to challenge the validity of such arrangement, but only whether the expenses arising from such arrangement are acceptable for tax deduction.

To the best knowledge of the Macau Legal Adviser, there are no Macau Court cases¹ relating to transfer pricing issues or where the Macau Finance Bureau has challenged or claimed tax avoidance in related party transactions. In light of the reasons as set out above, the Macau Legal Adviser is of the view that the Macau tax authorities would not challenge the transfer pricing arrangement or claim tax avoidance in respect of the intra-group leasing income under the Machinery Lease Agreement (including the Machinery Agency Agreement) which is non-taxable for Macau tax purposes as described above.

In addition, according to the Macau Legal Opinion, the arrangements under the Machinery Lease Agreement would not be challenged by the relevant regulatory authorities in Macau and that the risk of Macau tax exposure arising from the intra-group transactions under the Machinery Lease Agreement is low. Furthermore, according to the Macau Legal Opinion, there are currently no double taxation treaties or equivalent agreements with Hong Kong in force in Macau that are or could potentially be applicable to our Group's activity. Hence, in relation to income generated by our Group's activity in Macau, Macau tax authorities will apply the relevant tax laws and regulations thereto, regardless of whether or not such income has been, will be or may be taxed in any other jurisdictions, including Hong Kong.

The Macau Legal Opinion concludes that as SW Engineering Equipment and SW Bore Pile do not conduct any actual activity in Macau, under the laws of Macau it cannot be considered that SW Engineering Equipment or SW Bore Pile performs any commercial or industrial activity locally in Macau. Therefore, SW Engineering Equipment and SW Bore Pile would not be subject to taxation in Macau.

In addition, our Company also engaged PricewaterhouseCoopers (Macau) Limited for another Macau tax opinion in respect of the tax treatment of the intra-group leasing income under the Machinery Lease Agreement (including the Machinery Agency Agreement), i.e. the PwC Macau Tax Opinion. The PwC Macau Tax Opinion sets out that there are no general anti-avoidance rules and transfer pricing rules in the current Macau taxation system.

The PwC Macau Tax Opinion also concludes that in the absence of relevant tax treaty, the Macau Finance Bureau would apply the domestic tax laws and regulations in its tax assessment. In particular, for cross border transactions, whether the income in question has been subject to tax in the corresponding jurisdiction is not a factor relevant for the Macau Finance Bureau to consider when assessing the taxability of a foreign entity. Instead, consideration rests mainly on whether the foreign entity is considered as "carrying on commercial or industrial activities in Macau" as codified in the legislation.

¹ Notwithstanding that, to the best knowledge of the Macau Legal Adviser, there are no Macau Court prior cases in this respect. According to the Macau Legal Opinion, under Macau Law, a line of similar case decisions will not constitute precedent as understood in Common Law jurisdictions and will not be binding on the courts or any other authorities or entities in Macau.

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Based on the key characteristics of the Machinery Lease Agreement, in particular that SW Engineering Equipment and SW Bore Pile would not engage any employee or agent in Macau to commission or operate the machinery, and based on the current Macau tax laws and regulations and their interpretation, the PwC Macau Tax Opinion concludes that there is a reasonable technical basis for SW Engineering Equipment and SW Bore Pile to take the position that by simply leasing the machinery to SW Foundation (Macau) would not render them to be considered as “carrying on commercial or industrial activities in Macau”, and hence not fall within the scope of the Macau Complementary Income Tax.

Income tax expenses

Based on the L&AY Hong Kong Tax Opinion, the PwC Hong Kong Tax Opinion, the Macau Legal Opinion and the PwC Macau Tax Opinion, (i) none of SW Engineering Equipment or SW Bore Pile has provided for any Hong Kong or Macau tax in connection with the income derived from the Machinery Lease Agreement (including that under the Machinery Agency Agreement); and (ii) the leasing fees paid by SW Foundation (Macau) under the Machinery Lease Agreement is considered to be tax deductible when calculating our Group’s Macau tax exposure, for each of the years ended 31 March 2013 and 2014 respectively.

Our Group recorded income tax expenses of approximately HK\$2.8 million for the year ended 31 March 2014, which mainly consisted of (i) approximately HK\$3.0 million of tax expenses related to Macau profits tax; and (ii) approximately HK\$0.3 million of tax credits related to Hong Kong profits tax, represented an effective tax rate of approximately 2.2%. The tax credits of approximately HK\$0.3 million related to Hong Kong profits tax was largely attributable to approximately HK\$0.3 million of deferred income tax.

Notwithstanding the L&AY Hong Kong Tax Opinion, the PwC Hong Kong Tax Opinion, the Macau Legal Opinion and the PwC Macau Tax Opinion, there is no assurance that the tax authorities of Hong Kong and/or Macau will not have a different interpretation of the relevant tax provisions and/or the circumstances of the arrangements under the Machinery Lease Agreement (including the Machinery Agency Agreement), and thus challenge and not accept our Group’s submitted tax positions arising from the arrangements under the Machinery Lease Agreement (including the Machinery Agency Agreement). Under such circumstances, (i) in respect of Hong Kong tax, our Company will consider lodging a notice of objection in writing to the Inland Revenue Department, appealing to the board of review (constituted under the Inland Revenue Ordinance) and/or to the courts in Hong Kong; and (ii) in respect of Macau tax, our Company will consider filing an administrative complaint to the Macau Finance Bureau in respect of their decision or act and request such decision or act be modified or revoked, where considered appropriate, appeal to the Chief Executive of Macau via a hierarchical appeal, and/or file a judicial appeal to the Administrative Court of Macau and higher courts of Macau against such decision of the Macau tax authorities. In the event our Group proceeds and fails with its objection(s) and/or appeal(s) with the relevant tax authorities in Hong Kong and/or Macau, our Group may be liable for additional tax expenses.

For illustration purposes only and calculated based on information available as at the Latest Practicable Date such as accounting profit, non-tax deductible items, depreciation allowances and taxation losses brought forward, on the assumptions that (i) the leasing income derived by SW Engineering Equipment and SW Bore Pile under the Machinery Lease Agreement (including the Machinery Agency Agreement) is assessed to Hong Kong tax; and (ii) we have failed with our objection(s) and/or appeal(s) with the Hong Kong tax authorities, the aggregate maximum Hong Kong tax liability of SW Engineering Equipment and SW Bore Pile on an onshore basis estimated by both Lau & Au Yeung C.P.A. Limited and PricewaterhouseCoopers Limited in connection with the leasing income under the Machinery Lease Agreement (including the Machinery Agency Agreement) for the two assessment years ended 31 March 2014 is estimated to be approximately HK\$1.6 million.

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For illustration purposes only and calculated based on information available as at the Latest Practicable Date, on the assumptions that (i) the leasing income derived by SW Engineering Equipment and SW Bore Pile under the Machinery Lease Agreement (including the Machinery Agency Agreement) is subject to Macau tax; and (ii) we have failed with our objection(s) and/or appeal(s) with the Macau tax authorities, the maximum Macau complementary tax exposures for SW Engineering Equipment and SW Bore Pile estimated by PricewaterhouseCoopers (Macau) Limited for the tax year 2013 (i.e. 16 March 2013 to 31 December 2013) and tax year 2014 (i.e. 1 January 2014 to 31 March 2014) in connection with the leasing income under the Machinery Lease Agreement (including the Machinery Agency Agreement) is approximately MOP15.1 million (equivalent to approximately HK\$14.6 million) in aggregate.

However, in an unlikely scenario where Macau tax authorities were to deem SW Engineering Equipment as having provided services that fall within the scope detailed in paragraph 3 of article 9 of the Industrial Tax Regulation, the rental amounts paid by SW Foundation (Macau) to SW Engineering Equipment under the Machinery Lease Agreement would not be treated as a deductible expense for Macau tax purposes. Additionally, SW Foundation (Macau) could be held by the Macau Finance Bureau as jointly liable with SW Engineering Equipment for the payment of the Industrial Contribution eventually due by SW Engineering Equipment.

According to the L&AY Hong Kong Tax Opinion, the Inland Revenue Department is empowered to raise an assessment or additional assessment for a year of assessment on a taxpayer within six years after the end of the relevant assessment year. As set out in the Macau Legal Opinion and PwC Macau Tax Opinion, in respect of Complementary Income Tax administered by the Macau Financial Bureau, the statute of limitations period is five assessment years from the relevant year of assessment. As such, subject to the conclusion of any tax assessment to be undertaken by the relevant tax authorities, if any, our Group's income tax expenses in respect of Hong Kong and Macau may change.

Deed of Indemnity in connection with the Machinery Lease Agreement (including the Machinery Agency Agreement)

The Controlling Shareholders have executed the Deed of Indemnity with and in favour of our Company, to provide indemnities to our Group in relation to, among others, taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Share Offer becomes unconditional, save for tax liabilities which have already been provided for in the audited accounts of our Company and our subsidiaries as at and up to 31 March 2014 (the “**Obligations**”). Solely for the purpose of settling any claim and/or legal costs for which our Group may become liable to pay, by reason of or in connection with any transaction contemplated in or carried out pursuant to the Machinery Lease Agreement and the Machinery Agency Agreement before the Listing Date, the Controlling Shareholders will deposit a sum of HK\$20.0 million into a bank account maintained by our Group pursuant to the Deed of Indemnity before the Listing Date. For further details, please refer to the paragraph headed “Statutory and General Information – Other Information – Estate duty, tax indemnity and other indemnities” in this prospectus. The said sum of HK\$20.0 million shall not be released and returned to the Indemnifiers until and after all claims, if any, related to the above have been concluded and fully settled and/or time-barred in both Hong Kong and Macau.

The discharge of the Obligations under the indemnities provided by the Controlling Shareholders in favour of our Group pursuant to the Deed of Indemnity is subject to the Controlling Shareholders having sufficient financial resources at the relevant time. Further details of the risks in respect of the income tax expenses and the ability of the Controlling Shareholders to discharge of their obligations under the Deed of Indemnity are set out in the section headed “Risk Factors” in this prospectus.

Notwithstanding the Deed of Indemnity, in respect of our ongoing Macau based foundation works and ancillary services contracts, our Group may be subject to possible tax exposure from similar intra-group leasing arrangements to those under the Machinery Lease Agreement after Listing as the Deed of Indemnity does not cover any tax liabilities arising from such intra-group leasing arrangements after Listing.

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For the year ended 31 March 2013, our Group incurred income tax expenses of approximately HK\$12.6 million, which was mainly attributable to approximately HK\$12.5 million of deferred income tax related to Hong Kong profits tax, representing an effective tax rate of approximately 18.4%. The effective tax rate is higher than the applicable statutory tax rate in Hong Kong and Macau as certain expenses are not deductible for tax purposes.

For the year ended 31 March 2012, our Group provided for income tax expenses of approximately HK\$1.8 million, which was mainly attributable to approximately HK\$1.7 million of deferred income tax related to Hong Kong profits tax, representing an effective tax rate of approximately 6.9%. By utilising the accumulated tax credit not recognised in previous years, our Group recorded an effective tax rate lower than the statutory tax rate in Hong Kong.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2014 compared to year ended 31 March 2013

Revenue

Our revenue increased by approximately HK\$117.6 million, or 31.4%, from approximately HK\$375.1 million for the year ended 31 March 2013 to approximately HK\$492.7 million for the year ended 31 March 2014 as a majority of the revenue from the Hotel Tower Project was recorded in the year ended 31 March 2014. The Hotel Tower Project was our largest completed project by revenue during the Track Record Period. The revenue derived from the Hotel Tower Project amounted to approximately HK\$474.9 million during the Track Record Period, of which approximately HK\$434.6 million was recorded in the year ended 31 March 2014, representing approximately 88.2% of our revenue for the same year.

Cost of sales

Cost of sales increased by approximately HK\$54.5 million, or 20.0%, from approximately HK\$272.6 million for the year ended 31 March 2013 to approximately HK\$327.1 million for the year ended 31 March 2014, due to the increase in the foundation works and ancillary services carried out by our Group. Moreover, our Group employed additional construction workers during the period and the increased wage rates also contributed to the increase in cost of sales.

Other income and gain, net

The balance increased by approximately HK\$2.1 million from approximately HK\$0.8 million for the year ended 31 March 2013 to approximately HK\$2.9 million for the year ended 31 March 2014, which was primarily due to the recovery from insurance claim of approximately HK\$2.7 million.

Administrative expenses

Administrative expenses decreased by approximately HK\$2.6 million from approximately HK\$32.0 million for the year ended 31 March 2013 to approximately HK\$29.4 million for the year ended 31 March 2014, primarily due to the net effect of (i) the professional fees incurred in connection with the initial public offering totalled to approximately HK\$8.1 million for the year ended 31 March 2013 compared to approximately HK\$1.5 million for the year ended 31 March 2014; and (ii) the increase in staff costs from approximately HK\$8.6 million for the year ended 31 March 2013 to approximately HK\$11.6 million for the year ended 31 March 2014.

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Finance costs

Finance costs amounted to approximately HK\$9.7 million for the year ended 31 March 2014, which is notably higher than the finance costs of approximately HK\$3.1 million for the year ended 31 March 2013. Such increase was largely attributable to the increase in borrowings of approximately HK\$140.5 million, which in turn increased the interest expenses incurred.

Income tax expenses

Our income tax expenses decreased from approximately HK\$12.6 million of income tax expenses for the year ended 31 March 2013 to approximately HK\$2.8 million of income tax expenses for the year ended 31 March 2014. Details of the income tax expenses for each of the years ended 31 March 2013 and 2014 have been set out under the paragraph under “Financial information – Income tax expenses” in this prospectus above.

Profit and total comprehensive income attributable to equity holders of the Company

As a result of the foregoing, our profit and total comprehensive income attributable to equity holders of the Company increased by approximately HK\$71.5 million, from approximately HK\$55.6 million for the year ended 31 March 2013 to approximately HK\$127.1 million for the year ended 31 March 2014. The increase in profit and total comprehensive income attributable to equity holders of the Company was mainly due to the increase in revenue and gross profit, a substantial portion of which was attributable to the Hotel Tower Project.

Year ended 31 March 2013 compared to year ended 31 March 2012

Revenue

Our revenue increased by approximately HK\$276.7 million, or 281.2%, from approximately HK\$98.4 million for the year ended 31 March 2012 to approximately HK\$375.1 million for the year ended 31 March 2013, primarily attributable to the increased contract value of foundation works and ancillary services projects undertaken during the year ended 31 March 2013. During the year ended 31 March 2013, our Group provided foundation works and ancillary services for two sizeable projects, namely, the Wong Tai Sin Project and the Logistics Centre Project, and derived revenue of approximately HK\$159.9 million and HK\$148.8 million, respectively.

Cost of sales

Cost of sales increased by approximately HK\$206.9 million, or 314.9%, from approximately HK\$65.7 million for the year ended 31 March 2012, which included costs associated with Previous Projects of approximately HK\$9.8 million, to approximately HK\$272.6 million for the year ended 31 March 2013. Such increase was primarily due to larger consumption of construction materials and parts and consumables caused by an increase in foundation works and ancillary services performed by our Group. Moreover, our Group employed additional construction workers during the year ended 31 March 2013 and the increased wage rates also contributed to the increase in cost of sales.

Other income and gain, net

The balance of decreased by approximately HK\$14.9 million from approximately HK\$15.7 million for the year ended 31 March 2012 to approximately HK\$0.8 million for the year ended 31 March 2013, such decrease was primarily attributable to our Group derived approximately HK\$14.8 million and nil from the leasing of machinery and equipment during the year ended 31 March 2012 and 2013, respectively.

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Administrative expenses

Administrative expenses increased by approximately HK\$11.4 million from approximately HK\$20.6 million for the year ended 31 March 2012 to approximately HK\$32.0 million for the year ended 31 March 2013. Such increase in administrative expenses was primarily related to an increase in professional fees from approximately HK\$6.2 million for the year ended 31 March 2012 to approximately HK\$11.6 million for the year ended 31 March 2013, of which approximately HK\$8.1 million was related to professional fees incurred for initial public offering.

Finance costs

Finance costs increased by approximately HK\$1.3 million from approximately HK\$1.8 million for the year ended 31 March 2012 to approximately HK\$3.1 million for the year ended 31 March 2013. Such increase was mainly attributable to the increase in bank borrowings and the corresponding increase in interest expense on these bank borrowings.

Income tax expenses

We incurred income tax expenses of approximately HK\$12.6 million for the year ended 31 March 2013, as compared to income tax expenses of approximately HK\$1.8 million for the year ended 31 March 2012. Such increase was mainly attributable to (i) the utilisation of accumulated tax credit not previously recognised for the year ended 31 March 2012; and (ii) the increase in assessable profits of our Group in Hong Kong during the year ended 31 March 2013.

Profit and total comprehensive income attributable to equity holders of the Company

As a result of the foregoing, our profit and total comprehensive income attributable to equity holders of the Company amounted to approximately HK\$55.6 million for the year ended 31 March 2013 as compared to profit and total comprehensive income attributable to equity holders of the Company of approximately HK\$24.2 million for the year ended 31 March 2012. Such increase was mainly due to the increase in revenue and gross profit, a substantial portion of which was attributable to the Wong Tai Sin Project and the Logistics Centre Project, as detailed above.

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LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth a summary of our cash flows for the years indicated:

	For the year ended 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	19,532	83,270	88,126
Net cash used in investing activities	(10,735)	(58,132)	(95,130)
Net cash (used in)/generated from financing activities	(34,775)	(5,885)	41,980
	<hr/>	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(25,978)	19,253	34,976
Cash and cash equivalent at the beginning of the year	29,231	3,253	22,506
	<hr/>	<hr/>	<hr/>
Cash and cash equivalent at the end of the year	3,253	22,506	57,482
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Net cash generated from operating activities

Our cash inflow from operating activities is primarily generated from the provision of foundation works and ancillary services. Our cash outflow for operating activities is primarily related to staff costs, purchase of construction materials, subcontracting charges and administrative expenses. Our cash flow from operating activities is affected by a number of factors, which include the progress of foundation works and ancillary services projects and the settlement of trade receivables by our customers and trade payables by our Group.

Our net cash generated from operating activities amounted to approximately HK\$88.1 million for the year ended 31 March 2014, while our net cash inflow from operating activities after adjusting for non-cash items but before changes in working capital was approximately HK\$149.6 million. The difference of approximately HK\$61.5 million was mainly attributable to the net effect of (i) the decrease in trade and retention receivables and trade and retention payables of approximately HK\$18.2 million and HK\$14.2 million respectively; (ii) the increase in amounts due from customers for contract work of approximately HK\$9.0 million; (iii) the decrease in amounts due to customers for contract work of approximately HK\$36.3 million, the aforesaid movements are primarily due to the project status of our ongoing projects in March 2014 and a relatively low proportion of revenue for the year ended 31 March 2014 was recorded in the corresponding fourth quarter; and (iv) the restricted bank balances of approximately HK\$17.1 million paid for security of a performance bond.

During the year ended 31 March 2013, our net cash generated from operating activities amounted to approximately HK\$83.3 million, while our net cash inflow from operating activities after adjusting for non-cash items but before changes in working capital was approximately HK\$77.8 million. The difference of approximately HK\$5.5 million was primarily due to a combination of (i) the increase in trade and retention receivables and payables of approximately HK\$88.5 million and HK\$21.7 million respectively,

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which is largely attributable to the retention receivables and payables related to the Hotel Tower Project; (ii) the increase in amounts due to customers for contract work of approximately HK\$36.3 million which is largely due to early payment for contract works during the year ended 31 March 2013 in connection with the Hotel Tower Project; and (iii) the decrease in amounts due from customers for contract work of approximately HK\$27.3 million due to the completion of two sizeable projects, namely the Wong Tai Sin Project and the Logistics Centre Project prior to 31 March 2013.

During the year ended 31 March 2012, our net cash generated from operating activities amounted to approximately HK\$19.5 million, while our net cash inflow from operating activities after adjusting for non-cash items but before changes in working capital was approximately HK\$32.2 million. The difference of approximately HK\$12.7 million was primarily due to the increase in amounts due from customers for contract work of approximately HK\$16.8 million.

Net cash used in investing activities

Our cash outflow for investing activities was primarily utilised to acquire machinery and equipment. Our cash inflow from investing activities was primarily derived from the disposal of machinery and equipment.

During the year ended 31 March 2014, our net cash used in investing activities amounted to approximately HK\$95.1 million which was mainly attributable to the cash utilised to acquire machinery and equipment of approximately HK\$84.8 million.

During the year ended 31 March 2013, our net cash used in investing activities amounted to approximately HK\$58.1 million which was mainly related to the cash outflow of approximately HK\$58.7 million utilised to acquire machinery and equipment, which was partly offset by the proceeds from the disposal of machinery and equipment of approximately HK\$1.1 million.

During the year ended 31 March 2012, our net cash used in investing activities amounted to approximately HK\$10.7 million which was mainly related to the cash outflow of approximately HK\$10.3 million utilised to acquire machinery and equipment.

Net cash used in/generated from financing activities

Our cash inflow from financing activities was primarily from drawdown of bank loans and drawdown from a Director and an immediate holding company. Our cash outflow for financing activities primarily consists of repayment of principal and interest for bank loans and finance leases and repayment of balances due to a Director and an immediate holding company.

During the year ended 31 March 2014, our net cash generated from financing activities amounted to approximately HK\$42.0 million. Cash inflows included the drawdown of long-term and short-term bank loans of approximately HK\$103.0 million and HK\$280.8 million, respectively. Cash outflow mainly included (i) the repayment of long-term and short-term bank loans of approximately HK\$22.8 million and HK\$238.1 million; (ii) a dividend payment of HK\$50.0 million; (iii) the repayment of capital element of finance lease of approximately HK\$21.1 million; and (iv) the increase in restricted bank balances of approximately HK\$9.7 million.

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During the year ended 31 March 2013, our net cash used in financing activities amounted to approximately HK\$5.9 million. Cash inflows mainly included (i) the drawdown from a Director of approximately HK\$32.8 million; and (ii) the drawdown of long-term and short-term bank loans of approximately HK\$89.0 million and HK\$81.8 million, respectively. Cash outflow mainly included (i) the repayment of advances to a Director of approximately HK\$142.9 million; (ii) the repayment of long-term and short-term bank loans of approximately HK\$11.6 million and HK\$31.9 million, respectively; and (iii) the repayment of capital element of finance lease of approximately HK\$23.0 million.

During the year ended 31 March 2012, our net cash used in financing activities amounted to approximately HK\$34.8 million. Cash inflows mainly included the drawdown from a Director of approximately HK\$104.0 million and decrease in restricted bank balance of approximately HK\$25.0 million. The cash outflows mainly included the repayment of advances to a Director of approximately HK\$119.3 million, the repayment of amount due to an immediate holding company of approximately HK\$22.9 million, the repayment of capital element of finance lease of approximately HK\$14.8 million, and repayment of long-term bank loans of approximately HK\$6.9 million.

SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources available to our Group, including the internally generated funds, the available banking facilities and the estimated net proceeds of the Share Offer, our Directors are of the opinion that our Group has sufficient funds to meet the working capital and financial requirements, for at least the next twelve months from the date of this prospectus.

COMMITMENTS

The following table sets forth our capital commitments and operating lease commitments contracted but not provided for as of 31 March 2014:

	Contractual obligations		
	Less than 1 year HK\$'000	1-5 years HK\$'000	Total HK\$'000
Capital commitments	104,815	–	104,815
Operating lease commitments	3,264	917	4,181

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NET CURRENT LIABILITIES

Composition of our net current liabilities position during the Track Record Period

As at 31 March 2012, 2013, 2014 and 31 July 2014, we recorded net current liabilities of approximately HK\$72.8 million, HK\$88.8 million, HK\$115.4 million and HK\$49.3 million, respectively.

Set out below are details of the composition of our net current liabilities positions as at 31 March 2012, 2013, 2014 and 31 July 2014:

	2012	As at 31 March		As at
	2012	2013	2014	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2014</i>
				<i>HK\$'000</i>
				<i>(unaudited)</i>
Current assets				
Trade and retention receivables	8,223	96,749	78,586	237,022
Deposits, prepayments and other receivables	9,383	8,556	3,115	4,046
Inventories	3,737	850	–	–
Amounts due from customers for contract work	36,373	9,648	19,481	12,982
Amounts due from related companies	707	202	386	68
Income tax receivable	176	440	27	27
Restricted bank balances	–	–	36,138	26,996
Cash and cash equivalents (excluding bank overdraft)	3,253	22,506	85,937	99,276
Total current assets	61,852	138,951	223,670	380,417
Current liabilities				
Trade and retention payables	8,320	30,064	14,873	69,400
Accruals and other payables	10,198	21,410	22,284	22,796
Amounts due to customers for contract work	–	36,281	–	46,009
Amount due to a director	93,067	–	–	–
Borrowings	23,083	139,864	298,876	283,354
Income tax payable	–	115	3,068	8,166
Total current liabilities	134,668	227,734	339,101	429,725
Net current liabilities	(72,816)	(88,783)	(115,431)	(49,308)

Our net current liabilities position of approximately HK\$49.3 million as at 31 July 2014 was mainly comprised of (i) approximately HK\$429.7 million of current liabilities, which mainly consisted of approximately HK\$155.0 million of short-term bank loans and approximately HK\$33.8 million of long-term bank loans due after one year which contain repayment on demand clause; and (ii) approximately HK\$380.4 million of current assets, which mainly consisted of approximately HK\$237.0 million of trade and retention receivables and approximately HK\$99.3 million cash and cash equivalents.

As at 31 March 2014, the net current liabilities of approximately HK\$115.4 million comprised of (i) approximately HK\$339.1 million of current liabilities, which mainly consisted of approximately HK\$118.5 million of long-term bank loans and obligations under finance leases due after one year which contain repayment on demand clause and approximately HK\$92.6 million of short-term bank loans; and (ii) approximately HK\$223.7 million of current assets, which mainly consisted of approximately HK\$85.9 million of cash and cash equivalents, approximately HK\$78.6 million of trade and retention receivables and approximately HK\$36.1 million of restricted bank balances.

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Our net current liabilities position of approximately HK\$88.8 million as at 31 March 2013 was primarily attributable to (i) short-term bank loans of approximately HK\$49.9 million; (ii) and long-term bank loans and obligations under finance leases due after one year which contain repayment on demand clause of HK\$48.1 million, respectively. Other significant components of our current liabilities include amounts due to customers for contract work of approximately HK\$36.3 million and trade and retention payables of approximately HK\$30.1 million, respectively. The key components of our current assets as at 31 March 2013 include trade and retention receivables of approximately HK\$96.7 million and cash and cash equivalents (excluding bank overdrafts) of approximately HK\$22.5 million.

Of our current liabilities of approximately HK\$134.7 million as at 31 March 2012, the amount due to a Director totalled to approximately HK\$93.1 million. In addition, approximately HK\$12.4 million under current liabilities as at 31 March 2012 was related to obligations under finance leases due for repayment within one year, equivalent to approximately 9.2% of current liabilities. The key components of our current assets of approximately HK\$61.9 million as at 31 March 2012 include amounts due from customers for contract work of approximately HK\$36.4 million and deposits, prepayments and other receivables of approximately HK\$9.4 million.

Reasons for our net current liabilities position during the Track Record Period

Our Directors considered that our net current liabilities position recorded during the Track Record Period were mainly attributable to the following reasons:

(i) *Loans repayable more than one year with repayment on demand clause*

Our current liabilities of approximately HK\$339.1 million as at 31 March 2014 consisted of long-term bank loans due after one year of approximately HK\$110.1 million and obligations under finance leases due after one year of approximately HK\$8.4 million. The aforesaid borrowings, from commercial banks in Hong Kong and Macau, were classified as current liabilities despite that the balances were repayable in more than one year as the lenders have right to demand for repayment at their discretion before the maturity date of the facility and/or lease as a general and standard term of the relevant agreements. As a result, according to Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Interpretation 5), these borrowings were classified as current liabilities in our combined financial information.

In the event that these balances were excluded from our current liabilities, (i) the net current liabilities of our Group would be approximately HK\$68.0 million and HK\$40.7 million as at 31 March 2012 and 2013, respectively; and (ii) the net current assets of our Group would be approximately HK\$3.1 million for the year ended 31 March 2014.

During the Track Record Period, none of our borrowings have been recalled by our banks before their respective maturity date. The maturity profile of our borrowings, including our bank loans and finance leases, are set out under the paragraph headed “Financial information – Indebtedness” in this prospectus below.

FINANCIAL INFORMATION

(ii) Acquisition of machinery and equipment to carry out foundation works and ancillary services

The increase of our net current liabilities of approximately HK\$26.6 million from 31 March 2013 to 31 March 2014 was partly attributable to the increase in long-term bank loans due after one year which contain repayment on demand clause and short-term bank loans of approximately HK\$68.3 million and HK\$42.7 million, respectively. The notable increase in long-term bank loans due after one year which contain repayment on demand clause, classified under current liabilities, was primarily applied towards the expansion of our business, in particular, utilised for the acquisition of machinery and equipment to carry out foundation works and ancillary services. The aforesaid increase in short-term bank loans was primarily for our Group's working capital.

The increase of our net current liabilities of approximately HK\$16.0 million from 31 March 2012 to 31 March 2013 was partly attributable to the increase in long-term bank loans due after one year which contain repayment on demand clause and short-term bank loans of approximately HK\$37.0 million and HK\$49.9 million which were primarily utilised for the acquisition of machinery and equipment and our Group's working capital.

Net current liabilities position subsequent to 31 March 2014

Based on our unaudited management accounts, our net current liabilities decreased from approximately HK\$115.4 million as at 31 March 2014 to approximately HK\$49.3 million as at 31 July 2014. The decrease was primarily attributable to the net effect of (i) the increase in trade and retention receivables of approximately HK\$158.4 million; (ii) the increase in trade and retention payables of approximately HK\$54.5 million; (iii) the increase in amounts due to customers for contract work of approximately HK\$46.0 million; and (iv) the decrease in borrowings under current liabilities of approximately HK\$15.5 million.

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group has agreed with several of our financiers to remove the repayment on demand clause in relation to certain outstanding borrowings to reduce the amount of long-term bank loans due after one year which contain repayment on demand clause from approximately HK\$110.1 million as at 31 March 2014 to approximately HK\$33.8 million as at 31 July 2014. In addition, our Group continued to discuss with our financiers to remove repayment on demand clause in respect of our long-term loans subsequent to 31 July 2014 with a view to further reduce our Group's overall net current liabilities position. In addition, our Group had undrawn facilities of approximately HK\$217.0 million as at 31 July 2014. Further details of our loan facilities, including undrawn facilities, as at 31 July 2014 are set out under the paragraph headed "Financial information – Expected financial resources of our Group" in this prospectus below. Our Directors believe that with the available facilities and the cash generated from our operating activities, we will be able to further improve our liquidity position in the future.

Measures to improve our net current liabilities position

During the Track Record Period, we financed our operations by a combination of funds from a Director, bank loans, finance leases and cash inflows generated from our operating activities. In view of our financial position and factors attributable to our net current liabilities position, we have taken and will continue to take the following measures to improve our liquidity and finance our capital requirements:

(i) Manage our bank borrowings

One of the major contributing factors of our net current liabilities position during the Track Record Period was the acquisitions of machinery and equipment, classified under non-current assets, being primarily financed through bank loans and/or finance leases, part of which were classified under current liabilities due to reasons as detailed under the paragraph headed "Financial information – Loans repayable more than one year with repayment on demand clause" in this prospectus above.

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Subsequent to the Track Record Period, our Group has agreed with several of our financiers to remove the repayment on demand clause in relation to certain outstanding borrowings to reduce the amount of long-term bank loans due after one year which contain repayment on demand clause from approximately HK\$110.1 million as at 31 March 2014 to approximately HK\$33.8 million as at 31 July 2014. For details, please refer to the paragraph headed “Financial information – Net current liabilities position subsequent to 31 March 2014” in this prospectus above.

(ii) Maintain stable relationship with our principal banks

We will continue to maintain stable relationship with our principal banks in Hong Kong and Macau with a view to obtain new loan facilities on terms acceptable to our Group and/or refinance our existing short-term loans into long-term facilities and/or finance leases.

(iii) Monitor our cash flow situation

We will continue to monitor our cash flow situation closely and adopt a conservative approach on further capital commitment and/or investments (if any).

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Expected financial resources of our Group

Set out below are the details of our loan facilities as at 31 July 2014:

Nature of loan facility	Facility amount 31/7/2014 HK\$ million	Maturity date	Repayable on demand clause	Undrawn amount HK\$ million	Drawn amount 31/7/2014 HK\$ million	Without fixed repayment date HK\$ million	Repayable on or before 31/3/2015 HK\$ million	Repayable after 31/3/2015 HK\$ million
Bank overdraft from a commercial bank	30.4	N/A	Yes	1.0	29.4	29.4	-	-
Short-term loans	329.8			174.8	155.0	-	34.8	120.2
Short-term loan-subtotal	280.2			130.0	150.2	-	30.0	120.2
Revolving loan from a commercial bank ^(Note 1)	20.0	December 2014	Yes	-	20.0	-	20.0	-
Revolving loan from a commercial bank ^(Note 1)	10.0	September 2014	Yes	-	10.0	-	10.0	-
Revolving loan from a commercial bank ^(Note 1)	58.2	May 2015	Yes	-	58.2	-	-	58.2
Revolving loan from a commercial bank ^(Note 1)	50.0	June 2015	Yes	-	50.0	-	-	50.0
Revolving loan from a commercial bank ^(Note 1)	70.0	June 2015	Yes	70.0	-	-	-	-
Revolving Loan from a commercial bank ^(Note 1)	30.0	July 2015	Yes	30.0	-	-	-	-
Revolving Loan from a commercial bank ^(Note 1)	12.0	October 2014	Yes	-	12.0	-	-	12.0
Revolving loan from a financial institution ^(Note 1)	30.0	June 2015	Yes	30.0	-	-	-	-
Import loan-subtotal	49.6			44.8	4.8	-	4.8	-
Import loan from a commercial bank ^(Note 2)	10.8	N/A	Yes	6.0	4.8	-	4.8	-
Import loan from a commercial bank ^(Note 2)	38.8	N/A	Yes	38.8	-	-	-	-
Long-term bank loans	130.1			11.2	118.9	-	24.3	94.6
Term loan from a commercial bank	0.5	October 2014	Yes	-	0.5	-	0.5	-
Term loan from a commercial bank	20.0	January 2017	Yes	-	20.0	-	5.3	14.7
Machine loan from a commercial bank	9.4	March 2018 - April 2018	Yes	-	9.4	-	1.6	7.8
Machine loan from a commercial bank	20.5	September 2017 - June 2018	Yes	-	20.5	-	3.8	16.7
Machine loan from a financial institution	41.3	March 2019	No	-	41.3	-	5.4	35.9
Machine loan from a commercial bank	11.2	Three years from date of drawdown	Yes	11.2	-	-	-	-
Machine loan from a commercial bank	23.0	May 2016 - June 2018	No	-	23.0	-	5.5	17.5
Machine loan from a commercial bank	4.2	October 2015	No	-	4.2	-	2.2	2.0
Obligations under finance leases	126.6			30.0	96.6	-	19.0	77.6
Finance lease from a financial institution	22.8	September 2016 - August 2017	No	-	22.8	-	5.1	17.7
Finance lease from a financial institution	15.2	March 2018	No	-	15.2	-	2.6	12.6
Finance lease from a commercial bank	51.8	May 2016 - April 2019	No	-	51.8	-	9.6	42.2
Finance lease from a commercial bank	6.8	November 2016 - March 2017	No	-	6.8	-	1.7	5.1
Finance lease from a commercial bank	30.0	Five years from date of drawdown	No	30.0	-	-	-	-
	616.9			217.0	399.9	29.4	78.1	292.4

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Notes:

- (1) The facility amount represents the maximum aggregate drawdown amounts. Each drawdown is subject to periodic rollovers over the duration of the facility.
- (2) The facility amount represents the maximum aggregate drawdown amounts. Each drawdown is subject to a repayment period of up to 90 days. Notwithstanding the abovementioned repayment period of each drawdown, the facility is repayable on demand with no specified maturity.

As confirmed by our Directors, during the Track Record Period and up to 31 July 2014, we had not encountered any material difficulties in obtaining loan facilities from lenders, such as commercial banks, and renewing loan facilities upon their respective expiry, nor received any notice or demand from our lenders for early payment of outstanding loans.

FINANCIAL INFORMATION

Trade and retention receivables analysis

Our trade and retention receivables mainly consist of receivables related to foundation works and ancillary services certified by our customers or, in the case of us being a main contractor, authorised persons employed by our customers and retention receivables in relation to completed and on-going projects. In general, our Group submits payment applications to our customers on a monthly basis in accordance with the value of work which may include variation works and claims, if any, undertaken for foundation works and ancillary services projects. For foundation works and ancillary services, the credit terms granted to our customers vary from contract to contract. Such credit terms may make reference to the payment certificate date, settlement typically ranging from 14 days to 30 days from such date, depending on the terms and conditions of the contracts. Retention receivables represent the retention money required by our customers to secure our Group's due performance of the contracts. Typically, the amount of retention money depends on negotiation between the parties, which ranges from 1.0% to 10.0% of the value of works certified and is subject to a maximum retention of 1.0% to 5.0% of the total original contract value or a monetary cap. The terms and conditions in relation to the release of retention money also vary from contract to contract, which may subject to, practical completion, the expiry of the defect liability period or a pre-agreed time period.

Set out below is the composition of trade and retention receivables at the end of each financial year during the Track Record Period:

	As at 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and retention receivables			
Trade receivables	3,610	70,290	27,799
Retention receivables	4,613	26,459	50,787
	<hr/>	<hr/>	<hr/>
Total	8,223	96,749	78,586
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The following table sets out the turnover days of trade receivables for each reporting period during the Track Record Period:

	For the year ended 31 March		
	2012	2013	2014
Trade receivables (year end) (<i>HK\$'000</i>)	3,610	70,290	27,799
Revenue (<i>HK\$'000</i>)	98,428	375,147	492,734
Turnover days of trade receivables (<i>Note</i>)	13.4 days	68.4 days	20.6 days

Note: The trade receivables turnover days for a given year is calculated based on the trade receivables balance as at the year end divided by revenue for that year and multiplied by 365 days.

Whilst our revenue increased from approximately HK\$98.4 million for the year ended 31 March 2012 to approximately HK\$375.1 million for the year ended 31 March 2013, our trade receivables increased from approximately HK\$3.6 million as at 31 March 2012 to approximately HK\$70.3 million as at 31 March 2013. Despite our revenue increased further to approximately HK\$492.7 million for the year ended 31 March 2014, our trade receivables decreased to approximately HK\$27.8 million as at 31 March 2014.

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As our foundation business operates on a non-recurring and project-by-project basis, our revenue recognised during the Track Record Period may fluctuate subject to the size and the progress of our foundation works and ancillary service contracts at a given time thereby affecting our trade receivables balance as at the respective year ends and the trade receivables turnover days during the Track Record Period.

The decrease of trade receivables from approximately HK\$70.3 million as at 31 March 2013 to approximately HK\$27.8 million as at 31 March 2014 and the decrease of trade receivables turnover days from approximately 68.4 days for the year ended 31 March 2013 to approximately 20.6 days for the year ended 31 March 2014 were mainly attributable to a substantial year-on-year increase in revenue for the year ended 31 March 2014 and a relatively low proportion of revenue was recorded in the corresponding fourth quarter. The aforesaid increase in revenue and the revenue profile for the year ended 31 March 2014 were mainly due to (i) our Group derived approximately HK\$434.6 million from Hotel Tower Project for the year ended 31 March 2014, but the Hotel Tower Project was completed in December 2013; and (ii) there were only three ongoing projects as at 31 March 2014, one of which was the Composite Development Project which was subject to delays and we only commenced work for the other two foundation works and ancillary projects in February 2014.

The increase of trade receivables of approximately HK\$3.6 million as at 31 March 2012 to approximately HK\$70.3 million as at 31 March 2013 and the increase of trade receivables turnover days from approximately 13.4 days for the year ended 31 March 2012 to approximately 68.4 days for the year ended 31 March 2013 were mainly attributable to a relatively high proportion of revenue recorded in the corresponding fourth quarter in particular from the Wong Tai Sin Project.

The following table sets out the ageing analysis of the trade receivables, net of provision for doubtful debt, based on invoice date at the end of each financial year during the Track Record Period:

	As at 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables ageing since invoice date			
Within 1 month	1,360	69,824	27,799
1 to 2 months	–	466	–
2 to 3 months	–	–	–
3 to 6 months	–	–	–
6 months to 1 year	2,250	–	–
Over 1 year	–	–	–
	<hr/>	<hr/>	<hr/>
Total trade receivables	3,610	70,290	27,799
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

FINANCIAL INFORMATION

As at 31 March 2014, our Group has no trade receivable aged over six months. Notwithstanding the above, due to the capital intensive nature of the foundation industry, it is not uncommon for customers or contractors to delay payments to their contractors or subcontractors when the projects are delayed or until the contractors have received settlements for works performed. Our customers generally settle amounts due to our Group in accordance with the credit period as set out in the contracts. As at 31 July 2014, all of the trade receivables outstanding as at 31 March 2014 have been settled.

We have undertaken measures aimed at managing the ageing of our trade receivables. Before submitting tenders and quotations for foundation works and ancillary services projects, we would assess the credit quality of our potential customers and the reputation of our potential customers in the industry. We also monitor the ageing of our trade receivables on a regular basis.

We make specific provision for doubtful debts when there is objective evidence that we will not be able to collect the amounts due. We did not make any provision for doubtful debt in respect of trade and retention receivables during the Track Record Period.

The following table sets out the ageing analysis of the retention receivables based on invoice date at the end of each financial year during the Track Record Period:

	As at 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Retention receivables ageing since invoice date			
Within 1 year	1,137	25,021	34,442
Between 1 and 5 years	3,476	1,438	16,345
	<hr/>	<hr/>	<hr/>
Total retention receivables	4,613	26,459	50,787
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Our retention receivables amounted to approximately HK\$4.6 million, HK\$26.5 million and HK\$50.8 million as at 31 March 2012, 2013 and 2014, respectively. As at 31 March 2014, the five largest and the largest retention receivables totalled to approximately HK\$47.6 million and HK\$33.7 million, respectively. The largest retention receivables as at 31 March 2014 was related to the Hotel Tower Project, being our largest completed project by revenue during the Track Record Period. The release of the retention receivables related to the Hotel Tower Project is subject to (i) the practical completion certificate for foundation works and ancillary services undertaken by our Group; and (ii) the completion of all our obligations in accordance with the contract for Hotel Tower Project or the certificate to be issued by the construction manager in the absence of a final account.

We expect all these retention monies to be released within the expiry of the defect liability period or the time period pre-agreed between our Company and our customers according to the respective contracts and works done. As at 31 July 2014, HK\$24.3 million of retention monies recorded as at 31 March 2014 has been released to us and the expected release dates of the remaining retention monies should fall between September 2014 and December 2016.

FINANCIAL INFORMATION

Amounts due from customers for contract work

Unlike trade receivables, which represent work performed by us and certified by our customer but not yet settled, amounts due from customers for contract work represent work performed by us, for which the payment certificates have not yet been obtained from our customers as at the end of a financial year. Such amounts include costs incurred plus recognised profit exceed progress billings. Our Group normally submits payment applications to our customers on a monthly basis. The following table sets out the amounts due from customers for contract work as at the end of each financial year as indicated.

	As at 31 March		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Amounts due from customers for contract work	36,373	9,648	19,481

Out of the amounts due from customers for contract work of approximately HK\$19.5 million as at 31 March 2014, (i) approximately HK\$9.4 million is related to a foundation works and ancillary services project completed prior to the Track Record Period which is in the process of arbitration; and (ii) the remaining balance of approximately HK\$10.1 million represents work performed by us, the payment certificates of which have yet to be obtained from our customers.

The amounts due from customers for contract work are typically affected by the value of works we performed close to the end of each reporting period and the timing of receiving certificates, and thus vary from period to period. Furthermore, considering the vast number of items related to foundation works and ancillary services projects, negotiation with customers for the value of work performed by us set out in the payment certificates is common.

Inventory analysis

Our inventories mainly consist of machinery and equipment for sale and materials and consumables for construction works.

The following table sets out the balance of inventory at the end of each financial year as indicated. Our materials and consumables balance is low during the Track Record Period as we purchased materials and consumables as and when project needs arise.

	As at 31 March		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Inventories			
Machinery and equipment for sale	2,455	–	–
Materials and consumables for construction works	1,282	850	–
Total	3,737	850	–

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Our Group has no machinery and equipment for sale classified under inventories as at 31 March 2013 and 2014.

As at 31 March 2012, the machinery and equipment for sale balance of approximately HK\$2.5 million mainly related to the vessel with a net book value of approximately HK\$1.7 million held as inventory which was originally intended for the use of marine piling works. As our Group did not foresee the use of the vessel in any of our foundation works and ancillary services projects at the time, on 17 September 2012, our Group disposed of the vessel to a company 100% beneficially owned by Mr. Lau at its net book value with no gain or loss.

As we purchase materials and consumables as and when project needs arise, our materials and consumables balance under inventories is low and our Directors are of the view that the inventory turnover days analysis, as a comparison between inventory balance and the cost of sales, does not offer a meaningful comparison during the Track Record Period.

Deposits, prepayments and other receivables

Deposits, prepayments and other receivables recorded in current assets, represent receivables from leasing of machinery and equipment, the deposit for the issuance of performance bond, the deposit for the acquisition of machinery and equipment, other miscellaneous deposits and prepayments.

As at 31 March 2014, deposits, prepayments and other receivables in current assets amounted to approximately HK\$3.1 million which was primarily related to rental deposits.

Trade and retention payables analysis

Our trade and retention payables are primarily related to the purchase of construction materials and parts and consumables, works performed by subcontractors and retention payables in relation to subcontractors for completed and on-going projects. Set out below is the composition of trade and retention payables at the end of each financial year as indicated:

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Trade and retention payables			
Trade payables	8,102	29,828	14,534
Retention payables	218	236	339
Total	8,320	30,064	14,873

FINANCIAL INFORMATION

The following table sets out the turnover days of trade payables for each reporting period during the Track Record Period:

	For the year ended 31 March		
	2012	2013	2014
Trade payables (year end) (<i>HK\$'000</i>)	8,102	29,828	14,534
Cost of sales (<i>HK\$'000</i>)	65,736	272,557	327,100
Turnover days of trade payables (<i>Note</i>)	45.0 days	39.9 days	16.2 days

Note: The trade payables turnover days for a given year is calculated based on the trade payables balance as at the year end divided by the cost of sales for that year and multiplied by 365 days.

Whilst our cost of sales increased from approximately HK\$65.7 million for the year ended 31 March 2012 to approximately HK\$272.6 million for the year ended 31 March 2013, our trade payables increased from approximately HK\$8.1 million as at 31 March 2012 to approximately HK\$29.8 million as at 31 March 2013. Despite that our cost of sales increased further to approximately HK\$327.1 million for the year ended 31 March 2014, our trade payable decreased to approximately HK\$14.5 million as at 31 March 2014.

As our foundation business operates on a non-recurring and project-by-project basis, our cost of sales incurred during the Track Record Period may fluctuate subject to the size and the progress of our foundation works and ancillary service contracts at a given time thereby affecting our trade payables balance as at the respective year ends and the trade payables turnover days during the Track Record Period.

The decrease of trade payables of approximately HK\$29.8 million as at 31 March 2013 to approximately HK\$14.5 million as at 31 March 2014 and the decrease of trade payables turnover days from approximately 39.9 days for the year ended 31 March 2013 to approximately 16.2 days for the year ended 31 March 2014 were mainly attributable to a relatively low proportion of cost of sales recorded in the corresponding fourth quarter. Such profile of cost of sales was due to (i) the completion of the Hotel Tower Project in December 2013, being our largest completed contract by revenue during the Track Record Period; and (ii) our Group had three ongoing projects as at 31 March 2014, one of which was the Composite Development Project which was subject to delays and we only commenced work for the other two foundation works and ancillary projects in February 2014.

The increase of trade payables from approximately HK\$8.1 million as at 31 March 2012 to approximately HK\$29.8 million as at 31 March 2013 and the decrease of trade payables turnover days from approximately 45.0 days for the year ended 31 March 2012 to approximately 39.9 days for the year ended 31 March 2013 were mainly attributable to the completion of two sizeable projects, namely the Wong Tai Sin Project and the Logistics Centre Project, before the year ended 31 March 2013, thus the unsettled trade payables as at 31 March 2013 compared to the cost of sales recorded for the same year were relatively low in comparison to the prior financial year. We generally settle our trade payables within 60 days.

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	As at 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables ageing since invoice date			
Within 1 month	4,282	24,181	13,275
1 to 2 months	1,741	2,386	641
2 to 3 months	1,006	2,181	–
3 to 6 months	490	497	10
6 months to 1 year	–	–	196
Over 1 year	583	583	412
	<hr/>	<hr/>	<hr/>
Total trade payables	8,102	29,828	14,534
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Save for approximately HK\$2.8 million of trade payables, all of the trade payables as at 31 March 2014 were subsequently settled as at 31 July 2014. The unsettled trade payables of approximately HK\$2.8 million is mainly related to transportation fee for machinery and equipment from Hong Kong to Macau.

Accruals and other payables

Accruals and other payables represent the accrued expenses such as professional fees, wages and other miscellaneous payables. Set out below is the composition of accruals and other payables at the end of each financial year as indicated.

	As at 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals and other payables	10,198	21,410	22,284
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

As at 31 March 2014, accruals and other payables amounted to approximately HK\$22.3 million. Out of such balance, approximately HK\$9.3 million was accrued wages payable, approximately HK\$12.5 million was accruals for professional fees and miscellaneous expenses accrued for foundation works and ancillary services projects.

Amounts due to customers for contract work

Amounts due to customers for contract work represent the surplus derived when progress billings exceed the contract costs incurred plus recognised profits. The balances were approximately nil, HK\$36.3 million and nil as at 31 March 2012, 2013 and 2014, respectively.

Amount due to a Director

The amount due to a Director, Mr. Lau as at 31 March 2012 was utilised for (i) working capital, such as settlement of wages and salaries, trade payables and the acquisition of machinery and equipment; and (ii) the settlement of bank overdrafts and finance leases payments for machinery and equipment to our Group during the year ended 31 March 2012. As the entire amount due to a Director was settled during the year ended 31 March 2013, there was no outstanding amount due to a Director as at 31 March 2013 and 2014, respectively.

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INDEBTEDNESS

The table below sets out the indebtedness of our Group as at the respective dates indicated.

	As at 31 March			As at
	2012	2013	2014	31 July
	HK\$'000	HK\$'000	HK\$'000	2014
				HK\$'000
				<i>(unaudited)</i>
Indebtedness				
Non-current				
Obligations under finance leases	9,173	32,146	23,656	67,898
Long-term bank loans	–	24,188	14,150	48,665
	<u>9,173</u>	<u>56,334</u>	<u>37,806</u>	<u>116,563</u>
Current				
Bank overdraft	–	–	28,455	29,412
Short-term bank loans	–	49,922	92,556	154,964
Current portion of long-term bank loans due for repayment within one year	5,864	22,068	44,023	36,517
Long-term bank loans due after one year which contain repayment on demand clause	4,827	41,829	110,104	33,801
Obligations under finance leases due for repayment within one year	12,392	19,727	15,354	28,660
Obligations under finance leases due after one year which contain repayment on demand clause	–	6,318	8,384	–
	<u>23,083</u>	<u>139,864</u>	<u>298,876</u>	<u>283,354</u>
Total borrowings	<u>32,256</u>	<u>196,198</u>	<u>336,682</u>	<u>399,917</u>

As at 31 July 2014, the latest practicable date of the purpose of indebtedness statement for this prospectus, we had outstanding borrowings of approximately HK\$399.9 million, which were denominated in HK\$ or MOP.

As at the Latest Practicable Date, we have no material covenants relating to our outstanding debts, save for a term loan of approximately HK\$48.2 million. The agreement in respect of the term loan facility of approximately HK\$48.2 million provided by a financial institution has been entered into in August 2014 and set out herein are the relevant financial covenants, (i) the consolidated tangible net worth (based on the net asset value) of Sam Woo Group Limited (i.e. SW (BVI)) shall be maintained at no less than HK\$140.0 million for the financial year ended on 31 March 2014 and no less than HK\$300.0 million for the financial year ending on 31 March 2015 and thereafter; (ii) the consolidated net external gearing of SW (BVI) shall be maintained at no more than 1.40 times for the financial year ended on 31 March 2014 and no more than 1.00 time for the financial year ending on 31 March 2015 and thereafter; (iii) the

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consolidated current ratio of SW (BVI) shall be maintained no less than 0.60 times for the financial year ended on 31 March 2014 and no less than 0.80 times for the financial year ending on 31 March 2015 and thereafter; and (iv) SW (BVI)'s consolidated earnings before interest, tax, depreciation and amortisation/interest shall be maintained no less than 3.00 times for the financial year ended on 31 March 2014 and no less than 4.00 times for the financial year ending on 31 March 2015 and thereafter.

Our Group raises borrowings to finance the acquisitions of machinery and equipment and fulfil working capital requirements. We expect to repay the borrowings through our cash flows generated from operating activities and financing activities.

During the Track Record Period, our Group settled our debt obligations in a timely manner and did not breach any financial bank covenant.

Set out below is the maturity profile of our bank overdraft and bank loans as at the respective dates indicated, and ignoring the effect of any repayment on demand clauses.

	As at 31 March			As at 31 July
	2012	2013	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>
Indebtedness by due date				
Bank overdraft on demand	–	–	28,455	29,412
Within 1 year	5,864	71,990	136,579	191,481
Between 1 and 2 years	3,402	24,112	42,283	34,556
Between 2 and 5 years	1,425	41,905	81,971	47,910
	<u>10,691</u>	<u>138,007</u>	<u>289,288</u>	<u>303,359</u>

Bank overdrafts

As at 31 March 2014 and 31 July 2014, our Group had bank overdraft of approximately HK\$28.5 million and HK\$29.4 million which was secured by a bank deposit of Mr. Lau.

Short-term bank loans

As at 31 March 2013, 2014 and 31 July 2014, our Group had short-term bank loans of approximately HK\$49.9 million, HK\$92.6 million and HK\$155.0 million, respectively, which were primarily utilised for working capital purposes.

Long-term bank loans

The long-term borrowings represent bank loans raised for (i) working capital purposes; and (ii) acquisitions of machinery and equipment. The long-term bank loans classified as non-current liabilities amounted to approximately nil, HK\$24.2 million, HK\$14.2 million and HK\$48.7 million as at 31 March

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2012, 2013 and 2014 and 31 July 2014 respectively, and the long-term bank loans (including current portion due for repayment within one year, amounts due after one year which contain repayment on demand clause) classified as current liabilities amounted to approximately HK\$10.7 million, HK\$63.9 million, HK\$154.1 million and HK\$70.3 million, respectively. For further details on long term bank loans which contain repayment on demand clause, please refer to the paragraph headed “Financial information – Loans repayable more than one year with repayment on demand clause” in this prospectus above.

Our long-term bank loans increased from approximately HK\$10.7 million as at 31 March 2012, to approximately HK\$88.1 million as at 31 March 2013, and increased further to approximately HK\$168.3 million as at 31 March 2014. Such increase was mainly attributable to the partial settlement of the consideration for the acquisition of additional machinery and equipment, during each of the year ended 31 March 2013 and 2014. Our Group reduced our long-term bank loans to approximately HK\$119.0 million as at 31 July 2014 as we have repaid a portion of our long-term bank loans subsequent to 31 March 2014.

The terms for the long-term bank loans ranged from over 2.5 years to 5 years.

Finance leases

Set out below is the maturity profile of our finance leases as at the respective dates indicated and ignoring the effect of any repayment on demand clauses.

	As at 31 March			As at 31 July
	2012	2013	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>			
Within 1 year	12,392	19,727	15,354	28,660
Between 1 and 2 years	8,602	12,464	15,308	29,599
Between 2 and 5 years	571	26,000	16,732	38,299
	<u>21,565</u>	<u>58,191</u>	<u>47,394</u>	<u>96,558</u>

Typically, our Group becomes the owner of the machinery and equipment at the end of the relevant lease term upon the payment of a nominal amount. These finance leases are classified as liabilities of our Group and the relevant machinery and equipment are recorded as assets of our Group. As at 31 March 2012, 2013, 2014 and 31 July 2014, the net book value of machinery and equipment of our Group under finance leases amounted to approximately HK\$60.3 million, HK\$118.2 million, HK\$114.1 million and HK\$104.7 million, respectively. The duration of the lease term of finance leases are usually 4 years.

Bank overdrafts, bank loans and finance leases under personal guarantee and/or security provided by one or more of our executive Directors as at 31 March 2014 will be released before/upon the Listing.

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OFF-BALANCE SHEET COMMITMENTS

Save for (i) the capital commitment in relation to the contracted (but not yet provided for) plant and equipment of approximately HK\$104.8 million; and (ii) the operating lease commitment as lessee of approximately HK\$4.2 million, our Group has not entered into, nor do we expect to enter into, any off-balance sheet commitments as at 31 March 2014.

CONTINGENT LIABILITIES

As at 31 March 2014, save for guarantee of performance bond relating to a foundation works and ancillary services project of our Group of approximately HK\$67.3 million, such performance bond is expected to be released in October 2016, we had no material contingent liabilities as set out in Accountant's Report set forth in Appendix I to this prospectus.

DISCLAIMER

Save as disclosed in this prospectus, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as of 31 July 2014, being our indebtedness statement date. Details of material changes to our Group's indebtedness subsequent to the Track Record Period and up to the Latest Practicable Date are set out under the paragraph headed "Financial information – Net current liabilities". Save for the information as disclosed under the paragraph headed "Financial information – Net current liabilities", our Directors confirm that, as at the Latest Practicable Date, there is no material change in our Group's indebtedness since 31 July 2014.

ANALYSIS OF SELECTED FINANCIAL RATIOS

Selected Ratios	Formulae	As at/for the year ended 31 March		
		2012	2013	2014
Return on assets	Net profit/total assets x 100%	9.0%	12.2%	20.3%
Return on equity	Net profit/total equity x 100%	28.1%	39.3%	58.1%
Net profit margin	Net profit/revenue x 100%	24.6%	14.8%	25.8%
Gearing ratio	Net debt/total equity (<i>Note</i>)	1.65 times	1.23 times	1.10 times
Current ratio	Current assets/current liabilities	0.46 times	0.61 times	0.66 times
Quick ratio	(Current assets – inventories)/current liabilities	0.43 times	0.61 times	0.66 times
Interest coverage	Operating profit/finance costs	15.44 times	22.74 times	14.27 times

Note: Net debt is calculated as total borrowings less cash and bank balances. Total borrowings included bank overdrafts, bank loans, obligations under finance leases and amount due to a Director. Cash and bank balances included cash and cash equivalents and those restricted bank balances pledged for security of a revolving loan.

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Return on assets

Our return on assets was approximately 9.0%, 12.2% and 20.3% for the year ended 31 March 2012, 2013 and 2014, respectively. We generated an improved return on assets over the Track Record Period primarily due to the increase in the value of foundation works and ancillary services contracts completed by our Group and certified by our customers or authorised persons employed by our customers, which in turn increased our net profit and the rate of increase in our net profit over the Track Record Period exceeds the rate of increase in our total assets over the same period.

Our net profit increased from approximately HK\$24.2 million for the year ended 31 March 2012 to approximately HK\$55.6 million for the year ended 31 March 2013, and increased further to approximately HK\$127.1 million for the year ended 31 March 2014, while our total assets increased from approximately HK\$268.8 million for the year ended 31 March 2012 to approximately HK\$454.8 million for the year ended 31 March 2013, and increased further to approximately HK\$627.5 million for the year ended 31 March 2014.

Return on equity

Our return on equity was approximately 28.1%, 39.3% and 58.1% for the year ended 31 March 2012, 2013 and 2014, respectively. Our return on equity improved over the Track Record Period primarily attributable to the increase in the value of foundation works and ancillary services contracts completed by our Group and certified by our customers or authorised persons employed by our customers, which in turn increased our net profit. In addition, such rate of increase in our net profit over the Track Record Period exceeds the rate of increase in our total equity over the Track Record Period.

Our net profit increased from approximately HK\$24.2 million for the year ended 31 March 2012 to approximately HK\$55.6 million for the year ended 31 March 2013, and increased further to approximately HK\$127.1 million for the year ended 31 March 2014, while our total equity increased from approximately HK\$86.0 million for the year ended 31 March 2012 to approximately HK\$141.6 million for the year ended 31 March 2013, and increased further to approximately HK\$218.7 million for the year ended 31 March 2014. For each of the years ended 31 March 2013 and 2014, SW (BVI) declared a non-recurring final dividend of HK\$50.0 million out of its distributable reserves.

Net profit margin

The increase in the net profit margin from approximately 14.8% for the year ended 31 March 2013 to approximately 25.8% for the year ended 31 March 2014 was mainly attributable to the combination of the increase in revenue, higher gross profit margin which is primarily attributable to the Hotel Tower Project and a stable level of administrative expenses.

Our net profit margin of approximately 24.6% for the year ended 31 March 2012 decreased to approximately 14.8% for the year ended 31 March 2013 as (i) the Express rail link projects 1 and 2, which together accounted for approximately 66.1% of our revenue derived from foundation works and ancillary services for the year ended 31 March 2012 commanded a higher average gross profit margin than the average gross profit margin of the Wong Tai Sin Project and the Logistics Centre Project which together accounted for approximately 82.3% of our revenue derived from foundation works and ancillary services for the year ended 31 March 2013; (ii) other income of approximately HK\$14.8 million from our business

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of leasing machinery and equipment for the year ended 31 March 2012, which gave rise to minimal additional operating costs when compared to the operating costs for the foundation works and ancillary services, compared to nil for the year ended 31 March 2013; (iii) the relatively higher administrative expenses for the year ended 31 March 2013 which was mainly attributable to higher professional fees incurred for the initial public offering; (iv) higher income tax expense for the year ended 31 March 2013 due to the increase in assessable profits; and (v) the utilisation of accumulated tax credit not previously recognised for the year ended 31 March 2012.

Gearing ratio

Our gearing ratio as at 31 March 2012, 2013 and 2014 was approximately 1.65 times, 1.23 times and 1.10 times respectively.

Our gearing ratio decreased over the Track Record Period as the total equity of our Group increased notably as we have recorded profit and total comprehensive income attributable to equity holders of the Company of approximately HK\$24.2 million, HK\$55.6 million and HK\$127.1 million for each of the year ended 31 March 2012, 2013 and 2014, respectively.

Current ratio and Quick ratio

The current ratio of our Group as at 31 March 2012, 2013 and 2014 was approximately 0.46 times, 0.61 times and 0.66 times respectively, while the quick ratio as at 31 March 2012, 2013 and 2014 was approximately 0.43 times, 0.61 times and 0.66 times, respectively. Our current ratio and quick ratio improved year-on-year from 31 March 2012 to 31 March 2013 and further improved from 31 March 2013 to 31 March 2014. Such was largely attributable to the net movement in our cash and cash equivalents balance, borrowings, trade and our retention receivables, detailed explanation of the aforesaid movement has been set out under the paragraphs headed “Financial information – Liquidity and capital resources”, “Financial information – Trade and retention receivables analysis” and “Financial information – Indebtedness” in this prospectus above.

Mr. Lau provided funding to our Group in the form of amount due to a Director, amounted to approximately HK\$93.1 million classified under current liabilities as at 31 March 2012, which were utilised for working capital, settlement of bank overdrafts and finance lease payments for machinery and equipment. The amount due to a Director accounted for approximately 69.1% of current liabilities of our Group as at 31 March 2012. During the year ended 31 March 2013, the entire balance of amount due to a Director has been settled.

As at 31 March 2012, 2013 and 2014, approximately HK\$4.8 million, HK\$48.1 million and HK\$118.5 million recorded under current liabilities was related to finance leases and bank loans with maturity over one year which contain repayable on demand clause, representing approximately 3.6%, 21.1% and 34.9% of the current liabilities as at the respective dates. As these finance leases and bank loans were repayable on demand, they were classified as current liabilities in accordance with the relevant accounting standards.

Our Directors confirm that our Group had no default in payment of trade payables, accruals, bank borrowings and/or breaches of the finance bank covenants during the Track Record Period.

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Interest coverage

The interest coverage ratio of our Group for the year ended 31 March 2012, 2013 and 2014 was approximately 15.44 times, 22.74 times and 14.27 times. Our Group continued to finance the acquisitions of machinery and equipment with finance leases and bank loans. Finance costs increased from approximately HK\$1.8 million for the year ended 31 March 2012, to approximately HK\$3.1 million for the year ended 31 March 2013 and increased further to approximately HK\$9.7 million for the year ended 31 March 2014 as our Group has increased our borrowings from approximately HK\$32.3 million as at 31 March 2012 to approximately HK\$196.2 million as at 31 March 2013 and increased further to approximately HK\$336.7 million as at 31 March 2014.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

We incur interest expenses on our bank overdrafts, bank loans and finance leases and our Group is exposed to interest rate risk as these borrowings are carried at variable rates. It is our Group's policy to maintain its borrowings subject to floating rates, and accordingly, our Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 March 2012, 2013 and 2014, if the interest rates on borrowings had been 100 basis points higher or lower, assuming all other variables had been held constant, our profit after income tax for the respective year would have been lower or higher by approximately HK\$0.3 million, HK\$1.6 million and HK\$2.8 million, respectively.

Credit risk

We are exposed to credit risk primarily from our cash and cash equivalents, trade and retention receivables, deposits, prepayments and other receivables. Our Group's exposure to credit risk is the carrying amounts of these financial assets.

For the year ended 31 March 2012, 2013 and 2014, approximately 97.4%, 97.9%, and 98.7% of our revenue was derived from our top five customers.

To manage this risk, our Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review regularly the recoverable amount of each individual trade and retention receivable to ensure that adequate impairment provision is made for the irrecoverable amounts.

The credit risk on deposits with bank are limited as deposits are in banks with sound credit ratings.

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Liquidity risk

We manage liquidity risk by monitoring and maintaining (i) a level of cash and cash equivalents deemed adequate by our management team to meet operational needs; and (ii) sufficient headroom on our undrawn committed borrowing facilities at all times so that our Group does not breach borrowing limits or covenants (where applicable) on any of our borrowing facilities.

Taking into account the expected cash inflow from operations of our Group and the undrawn banking facilities, our Directors believe that our Group has sufficient resources to meet our debt obligations with banks and working capital needs. Details of our loan facilities as at 31 July 2014 have been set out under paragraph headed “Financial information – Expected financial resources of our Group” in this prospectus above.

Currency risk

Our Group’s transactions are mainly denominated in HK\$ or MOP. The majority of our assets and liabilities are denominated in HK\$ or MOP, and there are no significant assets and liabilities denominated in other currencies. We considered that the foreign exchange risk for MOP is minimal since exchange rate fluctuation was minimal throughout the Track Record Period.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in note 27 of the Accountant’s Report in Appendix I to this prospectus, our Directors believe that such transactions were conducted on normal commercial terms and such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interests of our Shareholders as a whole.

DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation up to and including the Latest Practicable Date. Notwithstanding the above, SW (BVI) declared a non-recurring final dividend of HK\$50.0 million out of its distributable reserves to its Shareholder for each of the years ended 31 March 2013 and 2014 respectively, namely Actiease Assets. SW (BVI) made full payment of the final dividend for each of the years ended 31 March 2013 and 2014 of HK\$50.0 million in August 2013 and September 2014 respectively from its internal resources.

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Dividend policy

After completion of the Share Offer, our Shareholders will be entitled to receive dividends declared by us. However, our Group currently does not have a fixed dividend policy and the declaration of, payment of and amount of dividends will be subject to the discretion of our Directors in accordance with our Articles of Association and will be dependent upon our future operations and earnings, financial condition, capital requirements and surplus, payments by subsidiaries of cash dividends to us and other factors that our Directors deem relevant. In addition, the Controlling Shareholders (as defined in the Listing Rules), subject to the Articles of Association, may influence our dividend policy.

Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution policy and there is no guarantee that dividends will be paid in the future. After completion of the Share Offer, our Directors' priority will be to retain earnings in order to facilitate capital growth and expansion of our Group.

DISTRIBUTABLE RESERVES

As of 31 March 2014, the Company has no reserves available for distribution to our Shareholders. The Companies Law provides that share premium account of a company incorporated in the Cayman Islands, such as our Company, may be applied in such manner as it may from time to time determine, subject to the provisions, if any, of its memorandum and articles of association, provided that no distribution or dividend may be paid to its members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, such company shall be able to pay its debts as they fall due in the ordinary course of business.

LISTING EXPENSES

The total amount of listing expenses and commissions will be borne by us in connection with the Share Offer is estimated to be approximately HK\$28.0 million.

We incurred approximately HK\$9.6 million of listing expenses during the Track Record Period, which was recorded under administrative expenses. We expect to incur additional listing expenses of approximately HK\$18.4 million after the Track Record Period, of which approximately HK\$10.1 million is expected to be recognised as administrative expenses in the consolidated statements of comprehensive income for the year ending 31 March 2015 and the remaining balance is expected to be capitalised after Listing.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, save for the increase in our indebtedness from approximately HK\$336.7 million as at 31 March 2014 to approximately HK\$399.9 million as at 31 July 2014, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2014 (being the date to which the latest audited combined financial statements of our Group were made up).

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UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of 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 on the net tangible assets of our Group attributable to the equity holders of the Company as of 31 March 2014 as if the Share Offer had taken place on 31 March 2014. The unaudited pro forma statement of 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 net tangible assets of our Group as at 31 March 2014 or at any future dates following the Share Offer. The unaudited pro forma statement of adjusted net tangible assets of our Group is based on the audited combined net tangible assets of our Group attributable to the equity holders of the Company as at 31 March 2014 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of our Group attributable to the equity holders of the Company as at 31 March 2014 ^(Note 1) <i>HK\$'000</i>	Estimated net proceeds from the Share Offer ^(Note 2) <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company as at 31 March 2014 <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets per Share ^(Note 3) <i>HK\$</i>
Based on an Offer Price of HK\$1.00 per Share	<u>218,719</u>	<u>83,106</u>	<u>301,825</u>	<u>0.75</u>
Based on an Offer Price of HK\$1.50 per Share	<u>218,719</u>	<u>131,606</u>	<u>350,325</u>	<u>0.88</u>

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 March 2014 is extracted from the Accountant's Report of the Company as set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to the equity holders of the Company as at 31 March 2014 of HK\$218,719,000.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$1.00 and HK\$1.50 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately HK\$9.6 million which have been accounted for prior to 31 March 2014) payable by the Company and takes no account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in note 2 above and on the basis that 400,000,000 Shares were in issue assuming that the Share Offer has been completed on 31 March 2014 but takes no account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.
- (4) The unaudited pro forma adjusted net tangible assets does not take into account the final dividend of HK\$50,000,000 declared on 13 September 2014 for the year ended 31 March 2014. Such dividend has been paid in full in September 2014. Had such dividend been taken into account, the unaudited combined pro forma adjusted net tangible assets per Share would be approximately HK\$0.63 (assuming an Offer Price of HK\$1.00 per Share) and approximately HK\$0.75 (assuming an Offer Price of HK\$1.50 per Share) respectively.

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- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2014.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the paragraph headed “Business – Business Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Share Offer, after deducting underwriting commissions and estimated expenses paid and payable by our Company in connection thereto, to be approximately HK\$97.0 million, assuming the Offer Price of HK\$1.25 per Share, being the mid-point of the proposed Offer Price range of HK\$1.00 to HK\$1.50 per Share. We intend to apply such net proceeds in the following manner:

- approximately HK\$87.3 million or approximately 90% of the net proceeds to acquire and/or partly finance the expansion of our fleet of machinery and equipment of which approximately HK\$43.7 million and HK\$43.6 million or approximately 45.1% and 44.9% of the net proceeds is intended for the acquisition and/or part finance of machinery and equipment with respect to ongoing project(s), including the Composite Development Project, and future projects respectively, including four crawler cranes, four oscillators and four reverse circulation drills, on or before 31 March 2016 from Asian and/or European machinery suppliers; and
- approximately HK\$9.7 million or approximately 10% of the net proceeds will be used as general working capital of our Group.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Share Offer will increase or decrease by approximately HK\$25.0 million. We will adjust the allocation of the net proceeds for the abovementioned purposes on a pro rata basis.

To the extent that the net proceeds of the Share Offer are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

UNDERWRITING

UNDERWRITERS

Public Offer Underwriters

Investec
Kingston Securities Limited
Guosen Securities (HK) Capital Company Limited
Astrum Capital Management Limited
Ever-Long Securities Company Limited
SBI China Capital Financial Services Limited
Sun Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Our Company, Controlling Shareholders, executive Directors and the Public Offer Underwriters, have entered into the Public Offer Underwriting Agreement. As described in the Public Offer Underwriting Agreement, we are offering the Public Offer Shares for subscription on the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued, and to certain other conditions described in the Public Offer Underwriting Agreement (including the Joint Lead Managers (on behalf of the Public Offer Underwriters) and us agreeing to the Offer Price), the Public Offer Underwriters have agreed severally to subscribe, or procure subscribers to subscribe, for the Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and subject to the conditions of the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to, amongst other things, the Placing Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The Joint Lead Managers (for themselves and on behalf of the other Public Offer Underwriters) may in their sole and absolute discretion, upon giving notice in writing to us, terminate the Public Offer Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into force:
 - (i) any new law or any change or development involving a prospective change in any existing law or any change in the interpretation or application thereof by any court or other competent authority of the Cayman Islands, BVI, Hong Kong, Macau, the PRC, the United States of America, the United Kingdom, Japan, Singapore or any other relevant jurisdiction (collectively, the “**Relevant Jurisdictions**”); or
 - (ii) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in any change or development involving a prospective change in, local, national or international financial, political, military, industrial, legal, fiscal, economic, regulatory, market or currency matters or conditions (including but not limited to a change in the system under which the value of the HK\$ is linked to the US\$ or revaluation of Renminbi against any foreign currencies or a change in any other currency exchange rates) in any of the Relevant Jurisdictions; or

UNDERWRITING

- (iii) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the London Stock Exchange, the Tokyo Stock Exchange, the New York Stock Exchange or in the NASDAQ System or any disruption in commercial banking activities or securities settlement, payment or clearance services or procedures in any of the Relevant Jurisdictions; or
- (iv) a change or development or event involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in any of the Relevant Jurisdictions; or
- (v) any imposition of economic sanctions, in whatever form, directly or indirectly, by any of the Relevant Jurisdictions; or
- (vi) the outbreak or escalation of hostilities involving any of the Relevant Jurisdictions or the declaration by any of the Relevant Jurisdictions of a national emergency or war or any other national or international calamity or crisis; or
- (vii) any event or series of events of force majeure in or affecting any of the Relevant Jurisdictions including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic (including SARS, H5N1, H1N1 or such related/mutated forms), terrorism, strike or lock-out; or
- (viii) any change or development or event involving a prospective change in the assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects of our Company or any of our subsidiaries, including any litigation or claim of material importance of any third party being threatened or instigated against us or any of our subsidiaries; or
- (ix) other than with the approval of the Joint Lead Managers (such approval not to be unreasonably withheld or delayed), the issue or requirement to issue by us of a supplementary prospectus or offering document pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the sole and absolute opinion of the Joint Lead Managers, materially adverse to the marketing for or implementation of the Share Offer; or
- (x) a petition is presented for the winding up or liquidation of our Company or any of our subsidiaries or our Company or any of our subsidiaries make any compromise or arrangement with their respective creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any of its subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or of any of our subsidiaries or anything analogous thereto occurs in respect of our Company or any of our subsidiaries; or
- (xi) a valid demand by any creditor for repayment or payment of any of our indebtedness or those of any of our subsidiaries or in respect of which our Company or any of our subsidiaries is liable prior to its stated maturity,

and which, in any such case and in the sole and absolute opinion of the Joint Lead Managers (for themselves and on behalf of the other Public Offer Underwriters),

UNDERWRITING

- (A) is or will or is likely to result in a material adverse change on our Company or our subsidiaries as a whole; or
 - (B) has or will have or is likely to have a material adverse effect on the success or marketability of the Public Offer or Placing; or
 - (C) would have the effect of making any part of the Public Offer Underwriting Agreement incapable of performance in accordance with the terms therein or which prevents the processing of applications and/or payments pursuant to the terms contained in the Public Offer Underwriting Agreement, the receiving bank agreement and/or the registrar's agreement (each as defined in the Public Offer Underwriting Agreement); or makes it inadvisable, impracticable or inexpedient to proceed with the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated in this prospectus.
- (b) There has come to the notice of the Joint Lead Managers or any of the Public Offer Underwriters after the date of the Public Offer Underwriting Agreement:
- (i) that any statement including but not limited to any forecasts, expressions of opinion, intention or expectation contained in this prospectus or the Application Forms becomes or is discovered to be untrue, inaccurate, or incomplete in any material respect or misleading or in the case of any forecast, expression of opinion, intention or expectation, is not or becomes not to be fair and honest based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
 - (ii) any matter or event arising or has been discovered rendering, or there coming to the notice of any of the Joint Lead Managers or the Public Offer Underwriters any matter or event showing, any of the representations and warranties given by us, the Controlling Shareholders or executive Directors in the Public Offer Underwriting Agreement to be untrue or inaccurate in any material respect or misleading or having been breached; or
 - (iii) there shall have occurred any matter or event, act or omission which gives or is likely to give rise to any liability to any of our Company, the Controlling Shareholders or the executive Directors pursuant to the indemnities given by us, the Controlling Shareholders, the executive Directors or any of them under the Public Offer Underwriting Agreement; or
 - (iv) any breach on the part of our Company, the Controlling Shareholders and/or the executive Directors of any provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement in any material respect; or
 - (v) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission therefrom; or
 - (vi) that we withdraw this prospectus and the Application Forms on the Share Offer,

then the Joint Lead Managers may, in their sole and absolute discretion, for themselves and on behalf of the other Public Offer Underwriters, upon giving notice in writing to our Company, terminate the Public Offer Underwriting Agreement with immediate effect.

UNDERWRITING

UNDERTAKINGS GIVEN TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, the Controlling Shareholders immediately before the completion of the Share Offer, have undertaken to the Stock Exchange that except pursuant to the Share Offer, each of them shall not, and shall procure that any other registered holder (if any) of our Shares in which the respective Controlling Shareholders have a beneficial interest shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Stock Exchange (“**First Six-month Period**”), dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of any of our Shares or securities in respect of which any of them are shown in this prospectus to be the beneficial owner(s); and
- (b) in the six months period commencing from the expiry of the First Six-month Period (“**Second Six-month Period**”) dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of any of our Shares or securities in respect of which any of them are shown in this prospectus to be the beneficial owner(s), if immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of them would then cease to be a controlling shareholder (as the term is defined under the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that within the First Six-month Period and the Second Six-month Period, he/she/it will:

- (i) when he/she/it pledges or charges any of our Shares or securities beneficially owned by it in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of our Shares or securities so pledged or charged; and
- (ii) when he/she/it receives indications, either verbal or written, from the pledgee or chargee of any of our Shares or securities that any of the pledged or charged Shares or securities will be disposed of, immediately inform our Company of such indications.

UNDERWRITING

We will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of announcement in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertaking by our Company

We have undertaken to each of the Joint Lead Managers, and the other Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement that, except pursuant to the Share Offer or grant of options or issue of our Shares upon exercise of such options pursuant to the Share Option Scheme, we will not without the prior written consent of the Joint Lead Managers (for themselves and on behalf of the other Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time during the First Six-month Period, (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our share capital, debt capital or any securities or any interest therein; (b) or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein, (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or (d) agree or contract to or publicly announce any intention to enter into any transaction described in paragraph (a), (b) or (c) above, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, and we further agree that, during the Second Six-month Period, we will not carry out any of the above transactions the completion of which would result in any of the Controlling Shareholders ceasing to be a controlling shareholder (as defined in Listing Rules) of our Company.

Undertaking by the Controlling Shareholders and executive Directors

Each of the Controlling Shareholders and executive Directors has respectively undertaken to each of us, the Joint Lead Managers and the other Public Offer Underwriters that:

- (a) it shall not, and shall procure that none of its Affiliates and associates (as defined under the Listing Rules) or any nominee or trustee holding in trust for any of them shall not, without the prior written consent of the Joint Lead Managers and unless in compliance with the requirements of the Listing Rules at any time during the First Six-Month Period:
 - (i) other than any pledge or charge by Actiease Assets of the Shares beneficially owned by it as security in favour of an authorised institution (as defined in the Banking Ordinance (Cap. 155 of the Laws of Hong Kong)) or the Joint Lead Managers (or their respective affiliates) not involving a change of beneficial ownership of such Shares (other than on enforcement) for a bona fide commercial loan, offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein); or

UNDERWRITING

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein; or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraphs (i), (ii), (iii) or (iv) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so;

- (b) it shall not, and shall procure that none of its Affiliates and associates (as defined under the Listing Rules) or any nominee or trustee holding in trust for any of them shall not, without the prior written consent of the Joint Lead Managers and unless in compliance with the requirements of the Listing Rules at any time during the Second Six-month Period, enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances or any other transactions, any of the Controlling Shareholders will cease to be a controlling shareholder (as the term is defined in the Listing Rules) of our Company;
- (c) until the expiry of the Second Six-month Period, in the event that it, its Affiliates or associates or nominee or trustee holding in trust for any of them enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company; and
- (d) (undertaken by the Controlling Shareholders only) if at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling twelve months from the Listing Date, it/he/she shall (i) if and when it/he/she pledges or charges any shares or other securities of the Company or interests thereof beneficially owned by it/him/her, immediately inform us and Investec and if required, the Stock Exchange, in writing of such pledge or charge together with the number of shares or other securities of our Company so pledged or charged; and (ii) if and when it/he/she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged shares or other securities of our Company or interests thereof will be disposed of, immediately inform us and Investec in writing of such indications. Upon receiving such information in writing from the Controlling Shareholders, we shall, as soon as practicable, notify the Stock Exchange and make a public disclosure in relation to such information by way of press announcement in accordance with Rule 2.07 of the Listing Rules.

Placing

Placing Underwriting Agreement

In connection with Placing, the Controlling Shareholders, executive Directors and us expect to enter into the Placing Underwriting Agreement with the Joint Lead Managers and the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

UNDERWRITING

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers to subscribe for, or failing which they shall subscribe for, 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 “Undertakings pursuant to the Public Offer Underwriting Agreement” above.

EXPENSES

Total commission, fee and expenses

In connection with the Share Offer, the Joint Lead Managers and the other Underwriters will receive an underwriting commission of 4.0% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling concessions.

In connection with the Listing, the Sponsor will receive a sponsorship and documentation fee.

Assuming the Offer Price of HK\$1.25 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the total expenses in connection with the Listing and the Share Offer are estimated to be approximately HK\$28.0 million (including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the listing fee, legal and other professional fees, printing cost and other expenses relating to the Share Offer) which shall be borne by our Company.

Our Company has agreed to indemnify the Joint Lead Managers and the other Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreements, and any breach by our Company of the Underwriting Agreements.

Independence of the Sponsor

The Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

Sponsor’s, Joint Lead Managers’ and Underwriters’ interests in our Company

The Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until despatch of the audited consolidated financial results for the second full financial year after the Listing Date, and our Company will pay to the Sponsor an agreed fee for its provision of services with the scope required under the Listing Rules.

Save for their interests and obligations under the Underwriting Agreements and the advisory and documentation fee payable to the Sponsor in respect of the Share Offer, none of the Sponsor, the Joint Lead Managers and the Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

UNDERTAKINGS GIVEN TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

For details of the undertakings given by us and our Controlling Shareholders to the Stock Exchange, please refer to the paragraphs under the heading entitled “Undertakings given to the Stock Exchange pursuant to the Listing Rules” in the section entitled “Underwriting” in this prospectus.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement on or around 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 around Wednesday, 8 October 2014.

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\$1.50 per Offer Share and is expected to be not less than HK\$1.00 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 Joint Lead Managers (for themselves and on behalf of the other 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 and our Company’s website at www.samwoo-group.com notices of reduction in the number of Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of 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 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 and our Company’s website at www.samwoo-group.com of a reduction in the number of 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 Joint Lead Managers (for themselves and on behalf of the other 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 Joint Lead Managers (for themselves and on behalf of the other Underwriters) on or before Friday, 10 October 2014, the Share Offer will not proceed and will lapse immediately.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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 Wednesday, 15 October 2014.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.50 per Offer Share and is expected to be not less than HK\$1.00 per Offer Share. Applicants under the Public Offer shall pay, on application, the maximum Offer Price of HK\$1.50 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy, amounting to a total of HK\$3,030.24 per board lot of 2,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$1.50 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 the Public Offer Shares and Employee Reserved 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 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 under the paragraph headed “Refund of your money” in the Application Forms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of 100,000,000 Offer Shares will be made available under the Share Offer, of which initially 90,000,000 Placing Shares (subject to adjustment), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the Placing. The remaining balance of initially 10,000,000 Public Offer Shares (subject to adjustment), 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. Of the 10,000,000 Shares initially being offered under the Public Offer, up to 1,000,000 Shares (representing 10% of the total number of Shares initially being offered under the Public Offer and 1% of the total number of Shares being offered under the Share Offer) are available for subscription by the Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms. See the paragraphs under the heading entitled “Employee Preferential Offering” in this section below for further details. The Public Offer Underwriters have severally agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters 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 Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form. Directors and directors of any of our subsidiaries and their respective Affiliates shall not apply for Employee Reserved Shares under the Employee Preferential Offering and shall not apply for Public Offer Shares as members of the public in the Public Offer and shall not apply for or indicate an interest in acquiring the Placing Shares under the Placing. All Eligible Employees may apply for Public Offer Shares in the Public Offer and Employee Reserved Shares in the Employee Preferential Offering but may not apply for or indicate an interest for Placing Shares under the Placing.

The Placing

Our Company is expected to offer initially 90,000,000 Placing Shares (subject to adjustment) 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 offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the Placing Underwriters 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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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 Joint Lead Managers (for themselves 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.

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 (including the Employee Preferential Offering of up to 1,000,000 Offer Shares as further described in the paragraphs headed “Employee Preferential Offering” below), 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 Price Determination Date.

Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$1.50 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.

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 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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Employee Preferential Offering

Up to 1,000,000 Employee Reserved Shares, representing 10% of the Offer Shares initially available under the Public Offer and 1% of the Offer Shares available under the Share Offer are available for subscription by the Eligible Employees on a preferential basis. Directors and directors of any of our subsidiaries and their respective Affiliates shall not apply for Employee Reserved Shares under the Employee Preferential Offering and shall not apply for Public Offer Shares as members of the public in the Public Offer and shall not apply for or indicate an interest in acquiring the Placing Shares under the Placing. All Eligible Employees may apply for Public Offer Shares in the Public Offer and Employee Reserved Shares in the Employee Preferential Offering but may not apply for or indicate an interest for Placing Shares under the Placing. Such Eligible Employees will receive no preference as to entitlement or allocation in respect of such further applications for Public Offer Shares under the Public Offer. For further details, see “How to Apply for the Public Offer Shares and Employee Reserved Shares” in this prospectus.

The 1,000,000 Employee Reserved Shares available for application by Eligible Employees on **PINK** Application Forms will be allocated to such applicants on a basis to be determined by our branch share registrar in Hong Kong based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. The Employee Reserved Shares will be balloted if there are insufficient Employee Reserved Shares available to **PINK** Application Form applicants. If balloting is conducted, one or more Eligible Employee(s) may be allocated more Employee Reserved Shares than others who have applied for the same number of Employee Reserved Shares, and those Eligible Employees who have applied for Employee Reserved Shares and who are not successful in the ballot may not receive any Employee Reserved Shares.

The allocation of Employee Reserved Shares to Eligible Employees will in any event be made on an equitable basis and will not be based on the identity, seniority, work performance or length of service of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 300,000 Employee Reserved Shares will be rejected. Allocation of Employee Reserved Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In addition to any application for Employee Reserved Shares on a **PINK** Application Form, Eligible Employees will be entitled to apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form or by submitting application online through the designated website of the **HK eIPO White Form** Service Provider or giving electronic application instruction to HKSCC via CCASS.

As at 31 July 2014, there were approximately 172 Eligible Employees. In case not all the 1,000,000 Employee Reserved Shares are validly subscribed for by the Eligible Employees, the undersubscribed Employee Reserved Shares will be available as Public Offer Shares for subscription by the public under the Public Offer.

BASIS OF ALLOCATION OF THE OFFER SHARES

Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer less the Public Offer Shares validly subscribed for by applicants under the **PINK** Application Form (as more particularly set out in the section headed “Structure and conditions of the Share Offer – Employee Preferential Offering” above) (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally into two pools (subject to adjustment of odd lot size). Assuming all the Employee Reserved Shares are validly subscribed for and allocated to applicants under the **PINK** Application Forms, Pool A will comprise 4,500,000 Public Offer Shares and Pool B will comprise 4,500,000 Public Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

If the Employee Reserved Shares are not fully taken up, any excess Public Offer Shares will be reallocated to Pool A and Pool B in equal proportions.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 4,500,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares less the Employee Reserved Shares (as more particularly described in the section headed “Structure and conditions of the Share Offer – Employee Preferential Offering” above)).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reallocation

The allocation of the Offer Shares between the Placing and the Public Offer (after deducting the number of Employees Reserved Shares validly applied for under the Employee Preferential Offering) 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 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 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 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 sole and discretion of the Joint Lead Managers.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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** and/or **PINK** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

In addition, if you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form. Directors and directors of any of our subsidiaries and their respective Affiliates shall not apply for Employee Reserved Shares under the Employee Preferential Offering and shall not apply for Public Offer Shares as members of the public in the Public Offer and shall not apply for or indicate an interest in acquiring the Placing Shares under the Placing. All Eligible Employees may apply for Public Offer Shares in the Public Offer and Employee Reserved Shares in the Employee Preferential Offering but may not apply for or indicate an interest for Placing Shares under the Placing.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Lead Managers, 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.

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; 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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 Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- are a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

Only Eligible Employees may apply for the Employee Reserved Shares on a **PINK** Application Form.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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**.

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 this prospectus during normal business hours from 9:00 a.m. on Monday, 29 September 2014 to 12:00 noon on Tuesday, 7 October 2014 from:

- (i) the offices of the Joint Lead Managers and the Underwriters

Investec Capital Asia Limited

3609, 36th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Kingston Securities Limited

Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Guosen Securities (HK) Capital Company Limited

42nd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Astrum Capital Management Limited

11th Floor, 122 QRC
Nos. 122-126 Queen's Road Central
Central
Hong Kong

Ever-Long Securities Company Limited

18th Floor
Dah Sing Life Building
99-105 Des Voeux Road Central
Hong Kong

SBI China Capital Financial Services Limited

Unit A2, 32nd Floor
United Centre
95 Queensway
Hong Kong

Sun Securities Limited

Rm 1504, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

(ii) any of the following branches of DBS Bank (Hong Kong) Limited

District	Branch	Address
Hong Kong Island	Head Office	G/F, The Centre, 99 Queen's Road Central
	United Centre Branch	Shops 1015-1018, 1/F & Shops 2032-2034, 2/F, United Centre, 95 Queensway, Admiralty
	North Point Branch	G/F, 391 King's Road, North Point
Kowloon	Nathan Road Branch	G/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 22-24 Cameron Road, Tsim Sha Tsui
	Hoi Yuen Road Branch	Unit 2, G/F, Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong
New Territories	Tsuen Wan Branch	G/F, 23 Chung On Street, Tsuen Wan

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 29 September 2014 until 12:00 noon on Tuesday, 7 October 2014 from the Depository Counter of HKSCC at 2/F., Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

A **PINK** Application Form together with this prospectus can be collected by Eligible Employees from our Company's headquarters at Unit 1310-13, 13th Floor, 113 Argyle Street, Mongkok, Kowloon, Hong Kong during normal business hours from 9:00 a.m. on Monday, 29 September 2014 until 12:00 noon on Monday, 6 October 2014. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from the website of our Company at www.samwoo-group.com.

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 "Ting Hong Nominees Limited – Sam Woo Construction 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:

Monday, 29 September 2014 — 9:00 a.m. to 5:00 p.m.

Tuesday, 30 September 2014 — 9:00 a.m. to 5:00 p.m.

Friday, 3 October 2014 — 9:00 a.m. to 5:00 p.m.

Saturday, 4 October 2014 — 9:00 a.m. to 1:00 p.m.

Monday, 6 October 2014 — 9:00 a.m. to 5:00 p.m.

Tuesday, 7 October 2014 — 9:00 a.m. to 12:00 noon

Your completed **PINK** Application Form, together with a cheque attached and marked payable to "Ting Hong Nominees Limited – Sam Woo Construction Public Offer" for the payment must be returned to our Company's headquarters at Unit 1310-13, 13th Floor, 113 Argyle Street, Mongkok, Kowloon Hong Kong by 12:00 noon on Monday, 6 October 2014.

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 7 October 2014, 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.

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 our Company and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (ii) agree to comply with the Companies Law, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participate in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) warrant that the information you have provided is true and accurate;
- (xiii) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (xiv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company 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;
- (xv) 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;
- (xvi) understand that our Company and the Joint Lead Managers 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;
- (xvii) (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
- (xviii) (if you are making the application as an agent for the benefit of another person) warrant that
 - (a) 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
 - (b) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional terms and conditions for the Employee Preferential Offering

You may refer to the **PINK** Application Form for details.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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**.

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 our 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** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 29 September 2014 until 11:30 a.m. on Tuesday, 7 October 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 7 October 2014 or such later time under the “Effects of Bad Weather on the Opening of the Applications Lists” in this section.

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 (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each 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 (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (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 our Company, our Directors and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of our Company, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
 - agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Law, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application or if the Share Offer is terminated, 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 2,000 Public Offer Shares. Instructions for more than 2,000 Public Offer Shares must be in an integral multiple of 2,000 Public Offer Shares, up to and including a maximum of 4,500,000 Public Offer Shares. The table in the Application Forms set out certain integral multiples of 2,000 Public Offer Shares applied for and the total amount payable on application in HK\$ for reference. 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 may input electronic application instructions at the following times on the following dates:

Monday, 29 September 2014 — 9:00 a.m. to 8:30 p.m.⁽¹⁾

Tuesday, 30 September 2014 — 8:00 a.m. to 8:30 p.m.⁽¹⁾

Friday, 3 October 2014 — 8:00 a.m. to 8:30 p.m.⁽¹⁾

Saturday, 4 October 2014 — 8:00 a.m. to 1:00 p.m.⁽¹⁾

Monday, 6 October 2014 — 8:00 a.m. to 8:30 p.m.⁽¹⁾

Tuesday, 7 October 2014 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, 29 September 2014 until 12:00 noon on Tuesday, 7 October 2014 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Tuesday, 7 October 2014, 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 (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

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. Our Company, our Directors, the Sponsor, the Joint Lead Managers 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.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Tuesday, 7 October 2014.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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.

If you are an Eligible Employee (other than Directors and directors of any of our subsidiaries and their respective Affiliates), you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee are liable to be rejected.

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).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Public Offer Shares must be in an integral multiple of 2,000 Public Offer Shares, up to and including a maximum of 4,500,000 Public Offer Shares. The table in the relevant Application Form sets out certain integral multiples of 2,000 Public Offer Shares, applied for and the total amount payable on application in HK\$ for reference, such numbers are also specified on the designated website at 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”.

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 Tuesday, 7 October 2014. 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 Tuesday, 7 October 2014 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and Employee Preferential Offering and the basis of allocation of the Public Offer Shares and Employee Reserved Shares on Wednesday, 15 October 2014 in The South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company's website at **www.samwoo-group.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer and Employee Preferential Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.samwoo-group.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Wednesday, 15 October 2014;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, 15 October 2014 to 12:00 midnight on Tuesday, 21 October 2014;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 15 October 2014 to Monday, 20 October 2014 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 15 October 2014 to Tuesday, 21 October 2014 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares and Employee Reserved 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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 our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Lead Managers, 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 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 our Company of that longer period within three weeks of the closing date of the application lists.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

(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;
- our Company or the Joint Lead Managers 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 4,500,000 Public Offer Shares initially offered under the Public Offer; or
- you apply for more than 300,000 Employee Reserved Shares.

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\$1.50 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 Wednesday, 15 October 2014.

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), and one share certificate for all the Employee Reserved Shares allotted to you under the Employee Preferential Offering.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

No temporary document of title will be issued in respect of the Public Offer Shares and/or Employee Reserved Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** and/or **PINK** 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 and/or Employee Reserved 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 Wednesday, 15 October 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Listing Date 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 and/or PINK Application Form

If you are an Eligible Employee and you apply for 100,000 Employee Reserved Shares or more under the Employee Preferential Offering or 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, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 October 2014 or such other date as notified by us in the newspapers.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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 are an Eligible Employee and you apply for less than 100,000 Employee Reserved Shares under the Employee Preferential Offering or 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 Wednesday, 15 October 2014, 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 Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 15 October 2014, 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 Wednesday, 15 October 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 15 October 2014 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

(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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 October 2014, or such other date as notified by our 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 Wednesday, 15 October 2014 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.

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 Wednesday, 15 October 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

specified in “Publication of Results” in this section on Wednesday, 15 October 2014. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 15 October 2014 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 Wednesday, 15 October 2014. 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 Wednesday, 15 October 2014.

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 accountant, PricewaterhouseCoopers, 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.



羅兵咸永道

29 September 2014

The Board of Directors
Sam Woo Construction Group Limited

Investec Capital Asia Limited

Dear Sirs,

We report on the financial information of Sam Woo Construction Group Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined balance sheets as at 31 March 2012, 2013 and 2014, the balance sheets of the Company as at 31 March 2013 and 2014, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2012, 2013 and 2014 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 29 September 2014 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 17 September 2012 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in note 1.2 of Section II headed "Reorganisation" below, which was completed on 15 September 2014, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1.2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

No audited financial statements have been prepared by the Company as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their places of incorporation. The details of the statutory auditors of these companies are set out in note 1.2 of Section II.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSAs”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in note 1.3 of Section II below.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in note 1.3 of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in note 1.3 of Section II below, a true and fair view of the state of affairs of the Company as at 31 March 2013 and 2014 and of the combined state of affairs of the Group as at 31 March 2012, 2013 and 2014 and of the Group's combined results and cash flows for the Relevant Periods.

I. FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 March 2012, 2013 and 2014 and for each of the years ended 31 March 2012, 2013 and 2014 (the "Financial Information"), presented on the basis set out in note 1.3 below.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 March		
		2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	5	98,428	375,147	492,734
Cost of sales	7	(65,736)	(272,557)	(327,100)
Gross profit		32,692	102,590	165,634
Other income and gain, net	6	15,742	782	2,867
Administrative expenses	7	(20,638)	(31,961)	(29,447)
Operating profit		27,796	71,411	139,054
Finance income	8	–	–	583
Finance costs	8	(1,800)	(3,140)	(9,742)
Finance costs, net	8	(1,800)	(3,140)	(9,159)
Profit before income tax		25,996	68,271	129,895
Income tax expense	9	(1,788)	(12,649)	(2,809)
Profit for the year		24,208	55,622	127,086
Other comprehensive income		–	–	–
Profit and total comprehensive income attributable to equity holders of the Company		24,208	55,622	127,086
Basic and diluted earnings per share	11	N/A	N/A	N/A
Dividends	10	–	50,000	50,000

COMBINED BALANCE SHEETS

	<i>Note</i>	As at 31 March		
		2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
ASSETS				
Non-current assets				
Plant and equipment	13	202,691	314,777	398,832
Deferred income tax assets	19	2,927	640	3,602
Deposits and prepayments	14	1,360	480	1,368
		206,978	315,897	403,802
		206,978	315,897	403,802
Current assets				
Trade and retention receivables	14	8,223	96,749	78,586
Deposits, prepayments and other receivables	14	9,383	8,556	3,115
Inventories	15	3,737	850	–
Amounts due from customers for contract work	16	36,373	9,648	19,481
Amounts due from related companies	27(d)	707	202	386
Income tax receivable		176	440	27
Restricted bank balances	17	–	–	36,138
Cash and cash equivalents (excluding bank overdraft)	17	3,253	22,506	85,937
		61,852	138,951	223,670
		61,852	138,951	223,670
Total assets		268,830	454,848	627,472
EQUITY				
Capital and reserves				
Share capital	18	78	78	78
Reserves	18	85,933	141,555	218,641
		86,011	141,633	218,719
Total equity		86,011	141,633	218,719

		As at 31 March		
		2012	2013	2014
	Note	HK\$'000	HK\$'000	HK\$'000
LIABILITIES				
Non-current liabilities				
Long-term borrowings	22	9,173	56,334	37,806
Deferred income tax liabilities	19	18,899	29,147	31,846
Amount due to a director	21, 27(d)	20,079	–	–
		<u>48,151</u>	<u>85,481</u>	<u>69,652</u>
		-----	-----	-----
Current liabilities				
Trade and retention payables	20	8,320	30,064	14,873
Accruals and other payables	20	10,198	21,410	22,284
Amounts due to customers for contract work	16	–	36,281	–
Amount due to a director	21, 27(d)	93,067	–	–
Borrowings	22	23,083	139,864	298,876
Income tax payable		–	115	3,068
		<u>134,668</u>	<u>227,734</u>	<u>339,101</u>
		=====	=====	=====
Total liabilities		<u>182,819</u>	<u>313,215</u>	<u>408,753</u>
		=====	=====	=====
Total equity and liabilities		<u>268,830</u>	<u>454,848</u>	<u>627,472</u>
		=====	=====	=====
Net current liabilities		<u>(72,816)</u>	<u>(88,783)</u>	<u>(115,431)</u>
		=====	=====	=====
Total assets less current liabilities		<u>134,162</u>	<u>227,114</u>	<u>288,371</u>
		=====	=====	=====

BALANCE SHEETS OF THE COMPANY

	<i>Note</i>	As at 31 March	
		2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
ASSETS			
Current assets			
Prepayments		36	453
Total assets		<u>36</u>	<u>453</u>
EQUITY			
Capital and reserve			
Share capital	18	–	–
Reserve	18	(8,522)	(10,127)
Total equity holder's deficit		<u>(8,522)</u>	<u>(10,127)</u>
LIABILITIES			
Current liabilities			
Amount due to a fellow subsidiary		8,558	9,380
Accruals		–	1,200
Total liabilities		<u>8,558</u>	<u>10,580</u>
Total equity and liabilities		<u>36</u>	<u>453</u>
Net current liabilities		<u>(8,522)</u>	<u>(10,127)</u>
Total assets less current liabilities		<u>(8,522)</u>	<u>(10,127)</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i> <i>(note 18(b))</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2011	78	10,422	51,303	61,803
Comprehensive income				
Profit for the year	—	—	24,208	24,208
At 31 March 2012	<u>78</u>	<u>10,422</u>	<u>75,511</u>	<u>86,011</u>
At 1 April 2012	78	10,422	75,511	86,011
Comprehensive income				
Profit for the year	—	—	55,622	55,622
At 31 March 2013	<u>78</u>	<u>10,422</u>	<u>131,133</u>	<u>141,633</u>
At 1 April 2013	78	10,422	131,133	141,633
Comprehensive income				
Profit for the year	—	—	127,086	127,086
Contribution by and distribution to owner				
Dividends relating to the year ended 31 March 2013 paid to the then shareholders	—	—	(50,000)	(50,000)
At 31 March 2014	<u>78</u>	<u>10,422</u>	<u>208,219</u>	<u>218,719</u>

COMBINED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 March		
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Cash flows from operating activities				
Net cash generated from operations	26(a)	21,672	86,298	114,062
Interest paid		(639)	(1,715)	(7,893)
Interest received		–	–	583
Interest element of finance lease payments	8	(1,161)	(1,050)	(1,782)
Restricted bank balances	17	–	–	(17,138)
Hong Kong profits tax (paid)/refund		(340)	(263)	294
Net cash generated from operating activities		<u>19,532</u>	<u>83,270</u>	<u>88,126</u>
Cash flows from investing activities				
Purchase of plant and equipment		(10,290)	(58,716)	(84,794)
Prepayment for purchase of plant and equipment		(1,360)	(480)	(1,036)
Proceeds from sales of plant and equipment	26(b)	915	1,064	–
Increase on restricted bank balances	17	–	–	(9,300)
Net cash used in investing activities		<u>(10,735)</u>	<u>(58,132)</u>	<u>(95,130)</u>
Cash flows from financing activities				
Capital element of finance lease payments		(14,774)	(23,007)	(21,146)
Drawdown of long-term bank loans		–	89,015	102,983
Repayment of long-term bank loans		(6,865)	(11,621)	(22,791)
Drawdown of short-term bank loans		–	81,799	280,764
Repayment of short-term bank loans		–	(31,877)	(238,130)
Decrease/(increase) in restricted bank balances	17	25,024	–	(9,700)
Repayment to an immediate holding company		(22,851)	–	–
Drawdown from a director		103,996	32,751	–
Repayment to a director		(119,305)	(142,945)	–
Dividend paid		–	–	(50,000)
Net cash (used in)/generated from financing activities		<u>(34,775)</u>	<u>(5,885)</u>	<u>41,980</u>

	<i>Note</i>	Year ended 31 March		
		2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Net (decrease)/increase in cash and cash equivalents		(25,978)	19,253	34,976
Cash and cash equivalents at beginning of the year		29,231	3,253	22,506
Cash and cash equivalents at end of the year		<u>3,253</u>	<u>22,506</u>	<u>57,482</u>
Analysis of cash and cash equivalents				
Cash and cash equivalents	17	3,253	22,506	85,937
Bank overdraft	22	–	–	(28,455)
		<u>3,253</u>	<u>22,506</u>	<u>57,482</u>

II. NOTES TO THE FINANCIAL INFORMATION**1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION****1.1 General information**

The Company was incorporated in the Cayman Islands on 17 September 2012 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in foundation works and ancillary services in Hong Kong and Macau (the "Listing Business").

The Financial Information is presented in Hong Kong dollars ("HK\$") unless otherwise stated.

1.2 Reorganisation

In preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the following reorganisation activities were carried out.

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "Reorganisation"), the Listing Business was carried out by companies now comprising the Group (collectively the "Operating Companies"), principally under Sam Woo Group Limited ("SW (BVI)") throughout the Relevant Periods.

Pursuant to the Reorganisation, the Listing Business was transferred to the Company through the following steps:

- (i) On 30 July 2012, SW (BVI) transferred its entire interest in the issued share capital of one share at HK\$1.00 in each of Sam Woo Group (Holdings) Limited ("SW Group (Holdings)"), Sam Woo Ship Management Limited ("SW Ship Management") and 三和集團有限公司 ("三和集團") to Mr. Lau Chun Ming, a director of the Company, at a consideration of HK\$1.00 each. Thereafter, SW Group (Holdings), SW Ship Management and 三和集團, which were inactive companies with no business activity during the Relevant Periods, ceased to be subsidiaries of SW (BVI).
- (ii) Redland Contractors Limited ("Redland Contractors"), a company held on trust by Best Captain Holdings Limited ("Best Captain") on behalf of SW (BVI), was formally transferred to SW (BVI) on 30 July 2012. Best Captain is a company held by Mr. Lau Chun Ming, a director of the Company.
- (iii) The Company was incorporated in the Cayman Islands on 17 September 2012 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with par value of HK\$0.01 each, one share of which was allotted and issued nil-paid to Mr. Lau Chun Ming on trust for Actiease Assets Limited ("Actiease Assets") on 17 September 2012. On 9 July 2014, the one share of the Company held by Mr. Lau Chun Ming on trust was formally transferred to Actiease Assets.
- (iv) On 15 September 2014, Actiease Assets transferred its entire interest in the issued share capital of SW (BVI) to the Company by crediting the Company's existing one nil-paid share in issue as fully paid and the Company allotting and issuing 999 additional shares, credited as fully paid, to Actiease Assets. Upon completion of the Reorganisation, the Company has become the holding company of the companies now comprising the Group.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct and indirect interests in the following subsidiaries:

Name	Place of incorporation	Date of incorporation	Issued and fully paid share capital	Equity interest held		Principal activities and place of operation	Note
				Directly	Indirectly		
Sam Woo Group Limited	British Virgin Islands	22 February 2001	US\$10,000	100%	–	Investment holding	(i)
Sam Woo Bore Pile Foundation Limited	Hong Kong	7 September 1990	HK\$10,000,000	–	100%	Foundation works and ancillary services in Hong Kong	(ii)
Sam Woo Construction & Engineering Limited	Hong Kong	11 May 1995	HK\$100,000	–	100%	Trading of and leasing of machinery and equipment in Hong Kong	(iii)
Sam Woo Engineering Equipment Limited	Hong Kong	7 October 1980	HK\$500,000	–	100%	Leasing of machinery and equipment in Hong Kong	(iii)
Sam Woo Foundation Limited	Macau	23 August 2011	MOP30,000	–	100%	Foundation works and ancillary services in Macau	(i)
Sam Woo Construction Limited	Hong Kong	5 August 2002	HK\$10,000	–	100%	Foundation works and ancillary services in Hong Kong	(ii)
Sam Woo Civil Contractors Limited	Hong Kong	5 August 2002	HK\$10,000	–	100%	Inactive	(iii)
Sam Woo Civil Works Limited	Hong Kong	25 July 2003	HK\$2	–	100%	Inactive	(iii)
Sam Woo Foundation Limited	Hong Kong	25 July 2003	HK\$2	–	100%	Foundation works and ancillary services in Hong Kong	(ii)
Sam Woo Finance Limited	Hong Kong	28 January 2004	HK\$2	–	100%	Provision of financial services to group companies	(iii)
Sam Woo Offshore Engineering Limited	Hong Kong	25 May 2006	HK\$1	–	100%	Inactive	(iii)
SW AA Construction Group Limited (formerly known as "Sam Woo Construction Group Limited")	Hong Kong	22 March 2012	HK\$1	–	100%	Inactive	(iv)
Sam Woo Foundation Group Limited	Hong Kong	22 March 2012	HK\$1	–	100%	Inactive	(iv)
Redland Contractors Limited	Hong Kong	18 May 2011	HK\$2	–	100%	Foundation works and ancillary services in Hong Kong	(ii)

Notes:

- (i) No audited statutory financial statements were issued for these subsidiaries as they are not required to issue audited financial statements under the statutory requirements of their places of incorporation.
- (ii) The statutory financial statements of these subsidiaries for the years ended 31 March 2012, 2013 and 2014 were audited by PricewaterhouseCoopers.
- (iii) The statutory financial statements of these subsidiaries for the years ended 31 March 2012, 2013 and 2014 were audited by Lau & Au Yeung C.P.A. Limited.
- (iv) The statutory financial statements of these subsidiaries from the date of incorporation to 31 March 2012 and the years ended 31 March 2013 and 2014 were audited by Lau & Au Yeung C.P.A. Limited.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business has been conducted by the Operating Companies, principally under SW (BVI). Pursuant to the Reorganisation, the Listing Business were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business. Accordingly, in accordance with the principles of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA, the Financial Information of the companies now comprising the Group is presented using the carrying values of the Listing Business for all periods presented.

Inter-company transactions, balances and unrealised gains/losses on transactions between listing group companies now comprising the Group are eliminated on combination.

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 during the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA are set out below. The Financial Information set out in this report has been prepared in accordance with HKFRSs under the historical cost convention.

At 31 March 2012, 2013 and 2014, the Group's current liabilities exceeded its current assets by approximately HK\$72,816,000, HK\$88,783,000 and HK\$115,431,000, respectively, because of (i) certain bank borrowings contractually due for repayment after one year with a repayment on demand clause amounting to approximately HK\$4,827,000, HK\$48,147,000 and HK\$118,488,000, respectively, have been classified as current liabilities in accordance with the HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause"; and (ii) an increase in the Group's non-current assets of approximately HK\$108,919,000 and HK\$87,905,000 as at 31 March 2013 and 2014, respectively, over that of prior year's, which was partly financed by the borrowings classified under current liabilities.

The directors closely monitor the Group's financial performance and liquidity position. They have prepared cash flow projection of the Group for the coming twelve months by taking into account all information that could reasonably be expected to be available and on the basis and assumptions that (i) it is not probable that the relevant banks will exercise its discretion to demand immediate repayment. The directors believe that the bank borrowings will be repaid in accordance with the scheduled dates set out in the relevant loan agreements and that certain banking facilities with principal banks will be renewed when their current terms expire given the good track records and relationship the Group has with the banks; (ii) it has various construction contracts on hand that can generate positive cash flows, and (iii) new banking facilities in addition to those disclosed in note 22(g) have been obtained subsequent to the Relevant Periods. Under these circumstances, the directors are of the opinion that the Group will have adequate financial resources to support its operations and will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the Financial Information on a going concern basis.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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.

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 January 2014 or later periods, but have not been early adopted by the Group.

HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation ³
HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee contribution ²
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities ¹
HKAS 36 (Amendment)	Impairment of Assets – Recoverable amount disclosures for non-financial assets ¹
HKAS 39 (Amendment)	Financial instruments: Recognition and Measurement ¹
HK(IFRIC) – Int 21	Levies ¹
HKFRS 9	Financial Instruments ⁵
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁴
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment entities ¹
HKFRSs (Amendment)	Annual improvements to HKFRSs 2010 – 2012 cycle ²
HKFRSs (Amendment)	Annual improvements to HKFRSs 2011 – 2013 cycle ²

Notes:

- ¹ Effective for annual periods beginning on or after 1 January 2014
- ² Effective for annual periods beginning on or after 1 July 2014
- ³ Effective for annual periods beginning on or after 1 January 2016
- ⁴ Effective for annual periods beginning on or after 1 January 2017
- ⁵ The mandatory effective date is yet to be determined

Management is in the process of making an assessment on the impact of these standards, amendments and interpretations to existing HKFRSs and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

2.2 Subsidiaries

Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies merger accounting to account for business combinations under common control, including the Reorganisation described in note 1.2, where all assets and liabilities are recorded at predecessor carrying amounts, as if the combining entities have been consolidated from the date when they first came under the control of the controlling party, and differences between consideration payable and the net assets value are taken to the merger reserve.

Except for the Reorganisation, the Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the gain or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to confirm with the Group's accounting policies.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, 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 the profit or loss.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided 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 executive directors that makes strategic decisions.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the Financial Information 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 are presented in HK\$ which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 the combined statements of comprehensive income.

(c) *Group companies*

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised as in other comprehensive income.

2.5 Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the combined statements of comprehensive income during the financial period in which they are incurred.

Depreciation of both owned and leased plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over the estimated useful lives, as follows:

Machinery and equipment	10-15 years
Furniture and fixtures	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the combined statements of comprehensive income.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life 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 that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs. They are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.8 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, 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 asset is reduced and the amount of the loss is recognised in the combined statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 the combined statements of comprehensive income.

2.9 Leased assets

The Group leases certain machinery and equipment. Leases of machinery and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased machinery and equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the combined statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The machinery and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.10 Trade and other receivables

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. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of a provision account, and the amount of the loss is recognised in the combined statements of comprehensive income within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the combined statements of comprehensive income.

2.11 Inventories

Inventories comprise machinery and equipment and construction work materials and consumables and are stated at the lower of cost and net realisable value. Cost is determined using first-in, first-out (FIFO) method.

2.12 Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

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

The Group uses the “percentage-of-completion method” to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

On the combined balance sheets, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case. Progress billings not yet paid by customers and retention receivables are included in current assets as the Group expects to realise these within its normal operating cycle.

2.13 Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks with original maturity of three months or less, and bank overdraft. In the combined balance sheets, bank overdrafts are shown within borrowings in current liabilities.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.15 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 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.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined statements of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.17 Borrowing costs

Borrowing costs are charged to the combined statements of comprehensive income in the period in which they are incurred.

2.18 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 amount can be 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 obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the combined statements of comprehensive income, 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.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates 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.

(b) Deferred income tax

Inside basis differences

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 combined financial statements. However, the deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for 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 balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax 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.

Outside basis differences

Deferred income tax is provided on taxable temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

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.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met. Revenue is shown net of sales tax, returns, rebates and discounts and after eliminating sales within the Group.

Revenue from construction contracts is recognised based on the stage of completion of the contracts as detailed in note 2.12 above.

Rental income from leasing of machinery and equipment is recognised based on the straight-line basis over the lease terms.

2.21 Employee benefits

(a) *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 balance sheet date.

Employee entitlements to sick leave and maternity or paternity leaves are not recognised until the time of leave.

(b) *Retirement benefits*

The Group operates defined contribution plans and pays contributions to publicly or privately administered pension insurance plans 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.

(c) *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 twelve months after balance sheet date are discounted to present value.

2.22 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessors are charged to the combined statements of comprehensive income on a straight-line basis over the period of the lease.

2.23 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 approved by the Company's shareholders or directors, where appropriate.

2.24 Contingent liabilities

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 resources 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, they will then be recognised as a provision.

3 FINANCIAL RISK MANAGEMENT**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the directors of the Company. The Directors provide principles for an overall risk management, as well as policies covering specific areas.

*(a) Market risk**(i) Foreign exchange risk*

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the Company's functional currency.

The Group's transactions are mainly denominated in HK\$ and Macao Patacas ("MOP"). The majority of assets and liabilities are denominated in HK\$ and MOP, and there are no significant assets and liabilities denominated in other currencies. Management considered that the foreign exchange risk for MOP is minimal since exchange rate fluctuation was minimal throughout the years ended 31 March 2012, 2013 and 2014.

(ii) Interest rate risk

The Group is exposed to interest rate risk as borrowings are carried at variable rates. It is the Group's policy to maintain its borrowings subject to floating rates, and accordingly, the Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 March 2012, 2013 and 2014, if the interest rates on borrowings had been 100 basis-points higher/lower with all other variables held constant, post-tax profit for the years would be HK\$269,000, HK\$1,638,000 and HK\$2,811,000 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade and retention receivables, deposits and other receivables, and amounts due from related companies. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

For the year ended 31 March 2012, 2013 and 2014, 97%, 98%, and 99%, respectively, of the Group's revenue was derived from its top five customers. As at 31 March 2012, 2013 and 2014, the Group had concentration of credit risk as 100%, 93%, and 100% of the total trade receivables due from the Group's two, two and three customers, respectively.

To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade and retention receivable to ensure that adequate impairment provision is made for the irrecoverable amounts.

The credit risk on deposits with bank and amounts due from related companies are limited because deposits are in banks with sound credit ratings and management does not expect any loss from non-performance by related companies.

(c) *Liquidity risk*

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Cash flow forecasting is performed for each operating entity of the Group and aggregated by Management. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

The basis of preparing the Financial Information under the going concern assumption have been discussed in note 2.1.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year end dates during the Relevant Periods). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand and less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000
As at 31 March 2012				
Trade and retention payables	8,320	–	–	8,320
Accruals and other payables	9,707	–	–	9,707
Long-term bank loans	11,130	–	–	11,130
Obligations under finance leases	13,109	8,791	575	22,475
Amount due to a director	93,067	20,079	–	113,146
As at 31 March 2013				
Trade and retention payables	30,064	–	–	30,064
Accruals and other payables	20,919	–	–	20,919
Long-term bank loans	69,621	10,869	14,648	95,138
Short-term bank loans	50,168	–	–	50,168
Obligations under finance leases	28,180	11,036	23,158	62,374
As at 31 March 2014				
Trade and retention payables	14,873	–	–	14,873
Accruals and other payables	21,793	–	–	21,793
Bank overdraft	28,455	–	–	28,455
Long-term bank loans	166,784	9,438	5,210	181,432
Short-term bank loans	92,923	–	–	92,923
Obligations under finance leases	25,361	11,347	13,273	49,981

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity, amount due to a director and borrowings. 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 borrowings. The Group monitors capital on the basis of gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including amount due to a director) less cash and cash equivalents and restricted bank balances pledged for security of a revolving loan. The gearing ratio decreases because of the Group's profit improves over the years. The gearing ratios as at 31 March 2012, 2013 and 2014 were as follows:

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Borrowings (including obligations under finance leases and bank overdraft) (<i>note 22</i>)	32,256	196,198	336,682
Amount due to a director	113,146	–	–
Less: cash and cash equivalents and restricted bank balances pledged for security of a revolving loan	(3,253)	(22,506)	(95,637)
Net debt	142,149	173,692	241,045
Total equity	86,011	141,633	218,719
Gearing ratio	165%	123%	110%

3.3 Fair value estimation

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, restricted bank balances, trade and retention receivables, deposits and other receivables and amounts due from related companies, trade and retention payables, other payables, amount due to a director and borrowings approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

The carrying amount of the non-current portion of amount due to a director was a reasonable approximation of its fair value after considering the discounting effect.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 Group makes estimates and assumptions concerning the future. 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) Fund availability

In order to fund the daily operation and the future expansion of the foundation works and ancillary services business of the Group, significant amounts of capital in the form of borrowing or equity, or a combination of both, is considered to be necessary in the future. Management considers such funding for the future operation and expansion will be available as and when required. The basis of preparing the Financial Information under the going concern assumption has been discussed in note 2.1.

(b) Estimated useful lives and residual values of plant and equipment

Management estimates useful lives of the plant and equipment by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the assets, expected repair and maintenance, the technical or commercial obsolescence arising from changes or improvements in the market. Residual values of the machinery and equipment are determined based on prevailing market values for equivalent aged assets taking into account the condition of the relevant assets and other economic considerations. Depreciation expense would be significantly affected by the useful lives and residual values of the plant and equipment as estimated by management. If the residual values of plant and equipment had decreased by 10%, the depreciation expenses would increase by HK\$1,089,000, HK\$1,940,000 and HK\$2,284,000 for the years ended 31 March 2012, 2013 and 2014, respectively.

(c) Estimated impairment of plant and equipment

The Group's major operating assets represent machinery and equipment. Management performs review for impairment of the plant and equipment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable.

Management considered there was no impairment indicator of machinery and equipment during the Relevant Periods as these assets were used for profitable construction projects, and there is a strong demand of these plant and equipment in the second hand market.

(d) Impairment of trade and retention receivables

Management determines the provision for impairment of trade and retention receivables based on the credit history of customers and the current market condition by business segment. Significant judgment is exercised on the assessment of the collectability of receivables from each customer. In making the judgment, 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. The final outcome of the recoverability of these receivables will impact the amount of impairment required.

(e) **Construction contracts**

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

The Group recognised its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revised the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract in progress. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

(f) **Income taxes**

The Group is subject to income taxes in Hong Kong and Macau. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax expense in the periods in which such estimate is changed.

(g) **Provision in respect of litigations and claims**

The Group has been engaged in a number of litigations and claims. Contingent liabilities arising from these litigations and claims have been assessed by management with reference to legal advice. Provisions on the possible obligation, if appropriate, are made based on management's best estimates and judgements. Provision for litigation has been made as at 31 March 2012 and 2013 (note 25).

5 REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents gross contract receipts on foundation works and ancillary services in the ordinary course of business. Revenue recognised during the Relevant Periods is as follows:

	Year ended 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Turnover			
Foundation works and ancillary services	98,428	375,147	492,734

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors regard the Group's business as a single operating segment and reviews financial information accordingly.

(a) Segment information

The Group's revenue from external customers attributable to the countries which the Group derives revenue and information about its non-current assets, excluding deferred income tax assets, based on (i) the country of domicile of companies holding these assets and (ii) their physical location are detailed below:

Revenue from external customers

	As at 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Hong Kong	98,428	334,807	37,335
Macau	–	40,340	455,399
	<u>98,428</u>	<u>375,147</u>	<u>492,734</u>

Non-current assets (excluding deferred income tax assets)

(i) Based on country of domicile of companies holding the assets:

	As at 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Hong Kong	204,051	315,257	400,200

During the Relevant Periods, the machinery and equipment of the Group were owned by Sam Woo Bore Pile Foundation Limited and Sam Woo Engineering Equipment Limited, the country of domicile of both is Hong Kong.

(ii) Based on physical location of the assets:

	As at 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Hong Kong	204,051	160,930	217,309
Macau	–	154,327	182,891
	<u>204,051</u>	<u>315,257</u>	<u>400,200</u>

(b) Revenue was derived from the following major customers:

	Year ended 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Foundation works and ancillary services			
Customer A	–	40,340	434,581
Customer B	–	159,867	2,289
Customer C	–	148,833	699
Customer D	37,873	–	–
Customer E	27,200	–	–
Customer F	15,089	–	–
Customer G	10,416	4,971	–
Others	7,850	21,136	55,165
	<u>98,428</u>	<u>375,147</u>	<u>492,734</u>

6 OTHER INCOME AND GAIN, NET

	Year ended 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Machinery and equipment leasing income	14,800	–	230
Gain on disposal of plant and equipment	906	744	–
Write-off of plant and equipment	–	–	(1,147)
Write-off of trade and retention payables	–	–	1,015
Recovery from insurance claim	–	–	2,680
Others	36	38	89
	<u>15,742</u>	<u>782</u>	<u>2,867</u>

7 EXPENSES BY NATURE

	Year ended 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Cost of sales			
Costs of construction materials			
– steel	6,720	36,669	39,530
– concrete	10,157	66,173	67,159
– others	547	613	2,487
Staff costs (<i>note</i>)	18,779	66,513	111,379
Consultancy fee	328	5,261	24,861
Parts and consumables	16,296	38,770	26,338
Subcontracting charges	2,521	17,619	11,669
Transportation	914	13,326	11,701
Depreciation			
– owned plant and equipment	3,286	4,720	7,236
– leased plant and equipment	1,142	1,810	2,519
Repair and maintenance	3,440	5,056	5,308
Machinery and equipment leasing expense	578	5,474	6,464
Staff quarters	–	751	3,379
Survey fee	–	568	2,922
Site management fee	156	1,008	777
Insurance	132	3,900	746
Others	740	4,326	2,625
	65,736	272,557	327,100
Administrative expenses			
Staff costs, including directors' emoluments (<i>note</i>)	6,062	8,550	11,639
Auditors' remuneration	690	720	750
Depreciation			
– owned plant and equipment	851	652	666
Operating lease rental in respect of			
– office and storage premises	2,273	2,956	3,299
– directors' quarters (<i>note 12(a)</i>)	1,121	2,032	2,167
Professional fees			
– incurred for initial public offering	–	8,078	1,528
– others	6,242	3,493	3,049
Recovery of bad debt	–	(570)	–
Entertainment expenses	1,357	1,700	2,373
Motor vehicle expenses	1,493	1,999	1,171
Bank charges	41	544	579
Others	508	1,807	2,226
	20,638	31,961	29,447
Total cost of sales and administrative expenses	86,374	304,518	356,547

Note:

	Year ended 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Wages and salaries	27,024	68,529	116,572
Pension costs – defined contribution plans (note a)	925	2,210	1,471
Employment benefits	259	761	1,410
	<u>28,208</u>	<u>71,500</u>	<u>119,453</u>
Less: amounts charged to cost of sales	(18,779)	(66,513)	(111,379)
Less: amounts charged to administrative expenses	(6,062)	(8,550)	(11,639)
	<u>(24,841)</u>	<u>(75,063)</u>	<u>(123,018)</u>
Amounts capitalised in/(transferred out from) constructing work-in-progress	<u>3,367</u>	<u>(3,563)</u>	<u>(3,565)</u>

- (a) The Group participates in a Mandatory Provident Fund scheme (the “MPF Scheme”) in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the employees’ gross earnings with a ceiling of HK\$1,000 per month until 31 May 2012, HK\$1,250 per month commencing on 1 June 2012 until 31 May 2014, and HK\$1,500 per month commencing on or after 1 June 2014 to the MPF Scheme.

The Group also participates in an employee social security plan (the “Social Security Plan”) and contributes a fixed amount for each employee as required by the regulations in Macau.

The only obligation of the Group with respect to the MPF Scheme and the Social Security Plan is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future year.

8 FINANCE INCOME AND COSTS

	Year ended 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Finance income			
– Interest income on restricted bank balances	–	–	583
	<u>–</u>	<u>–</u>	<u>583</u>
Finance costs			
– Interest expense on bank loans wholly repayable within 5 years	(572)	(2,074)	(7,666)
– Interest expense on obligations under finance leases	(1,161)	(1,050)	(1,782)
– Interest expense on bank overdrafts	(67)	(16)	(294)
	<u>(1,800)</u>	<u>(3,140)</u>	<u>(9,742)</u>
Finance costs, net	<u>(1,800)</u>	<u>(3,140)</u>	<u>(9,159)</u>

9 INCOME TAX EXPENSE

The amount of income tax charged to the combined statements of comprehensive income represents:

	Year ended 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax			
Current income tax	132	115	23
Over-provision in prior year	–	(1)	(20)
Deferred income tax (<i>note 19</i>)	1,656	12,535	(263)
Macau profits tax			
Current income tax	–	–	3,069
	<u>1,788</u>	<u>12,649</u>	<u>2,809</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the years ended 31 March 2012, 2013 and 2014.

No provision for Macau complementary tax has been made in the Financial Information for the years ended 31 March 2012 and 2013 as the Group had no estimated assessable profit arising in Macau during these years. Macau complementary tax has been provided at the rate of 12% on the estimated assessable profit for the year ended 31 March 2014.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	Year ended 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Profit before income tax	<u>25,996</u>	<u>68,271</u>	<u>129,895</u>
Calculated at tax rate of 16.5%	4,289	11,265	21,433
Tax effects of:			
Tax rates of overseas operation	–	4	(1,026)
Income not subject to tax	–	(170)	(22,623)
Expenses not deductible for tax purposes	733	1,494	4,975
Recognition of previously unrecognised tax losses	(2,784)	–	–
Utilisation of previously unrecognised tax losses	(451)	(24)	(11)
Tax losses for which no deferred income tax asset was recognised	29	91	90
Overprovision in prior year	–	(1)	(20)
Tax concessions	(28)	(10)	(9)
Income tax expense	<u>1,788</u>	<u>12,649</u>	<u>2,809</u>

10 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

Final dividends of HK\$50,000,000 and HK\$50,000,000 were declared and paid by the companies now comprising the Group to the then shareholders in August 2013 and September 2014, respectively. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

11 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the group reorganisation and the presentation of the results for the Relevant Periods on a combined basis as disclosed in note 1.3 above.

12 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS**(a) Directors' emoluments**

The emoluments of individual director of the Company during the Relevant Periods which were included in the staff costs as disclosed in note 7 are set out below:

	For the year ended 31 March 2012				
	Salaries	Discretionary bonus	Directors' quarters	Employer's contribution to pension scheme	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive directors					
Mr. Lau Chun Ming	468	–	432	–	900
Mr. Lau Chun Kwok	627	–	473	11	1,111
Mr. Lau Chun Ka	228	–	–	4	232
Ms. Leung Lai So	286	–	216	11	513
	<u>1,609</u>	<u>–</u>	<u>1,121</u>	<u>26</u>	<u>2,756</u>

	For the year ended 31 March 2013				Total HK\$'000
	Salaries HK\$'000	Discretionary bonus HK\$'000	Directors' quarters HK\$'000	Employer's contribution to pension scheme HK\$'000	
Executive directors					
Mr. Lau Chun Ming	624	–	612	–	1,236
Mr. Lau Chun Kwok	684	–	558	15	1,257
Mr. Lau Chun Ka	684	–	558	15	1,257
Ms. Leung Lai So	312	–	304	–	616
	<u>2,304</u>	<u>–</u>	<u>2,032</u>	<u>30</u>	<u>4,366</u>

	For the year ended 31 March 2014				Total HK\$'000
	Salaries HK\$'000	Discretionary bonus HK\$'000	Directors' quarters HK\$'000	Employer's contribution to pension scheme HK\$'000	
Executive directors					
Mr. Lau Chun Ming	720	–	600	–	1,320
Mr. Lau Chun Kwok	720	–	600	15	1,335
Mr. Lau Chun Ka	677	–	643	15	1,335
Ms. Leung Lai So	336	–	324	–	660
	<u>2,453</u>	<u>–</u>	<u>2,167</u>	<u>30</u>	<u>4,650</u>

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the companies now comprising the Group during the Relevant Periods.

No directors of the Company waived any emolument during the Relevant Periods.

Mr. Chu Tak Sum, Mr. Ip Tin Chee, Arnold and Professor Wong Sue Cheun, Roderick were appointed as the Company's independent non-executive directors on 15 September 2014. During the Relevant Periods, the independent non-executive directors have not yet been appointed and did not receive any remuneration.

(b) Five highest paid individuals

For the years ended 31 March 2012, 2013 and 2014, the five individuals whose emoluments were the highest in the Group include 2, 3 and 3 directors, respectively, whose emoluments were reflected in the analysis presented above. The emoluments paid to the remaining 3, 2 and 2 individuals are as follows:

	Year ended 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Salaries, bonus, other allowances and benefits in kind	2,428	2,774	3,492
Pension costs – defined contribution plans	88	86	101
	<u>2,516</u>	<u>2,860</u>	<u>3,593</u>

The emoluments of the remaining individuals fell within the following bands:

	Number of individuals Year ended 31 March		
	2012	2013	2014
Nil – HK\$1,000,000	2	1	–
HK\$1,000,001 – HK\$1,500,000	1	–	–
HK\$1,500,001 – HK\$2,000,000	–	–	1
HK\$2,000,001 – HK\$2,500,000	–	1	1
	<u>3</u>	<u>2</u>	<u>2</u>

During the Relevant Periods, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for the loss of office.

13 PLANT AND EQUIPMENT

	Machinery and equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2011				
Cost	318,087	1,426	5,884	325,397
Accumulated depreciation	(128,142)	(1,171)	(3,830)	(133,143)
Net book amount	<u>189,945</u>	<u>255</u>	<u>2,054</u>	<u>192,254</u>
Year ended 31 March 2012				
Opening net book amount	189,945	255	2,054	192,254
Additions	9,805	52	433	10,290
Transfer from inventories	5,833	–	–	5,833
Transfer to contracting work-in-progress	(398)	–	–	(398)
Disposals	–	(9)	–	(9)
Depreciation	(4,428)	(116)	(735)	(5,279)
Closing net book amount	<u>200,757</u>	<u>182</u>	<u>1,752</u>	<u>202,691</u>
At 31 March 2012				
Cost	331,320	1,352	6,286	338,958
Accumulated depreciation	(130,563)	(1,170)	(4,534)	(136,267)
Net book amount	<u>200,757</u>	<u>182</u>	<u>1,752</u>	<u>202,691</u>
Year ended 31 March 2013				
Opening net book amount	200,757	182	1,752	202,691
Additions	119,639	60	10	119,709
Transfer to contracting work-in-progress	(121)	–	–	(121)
Disposals	(320)	–	–	(320)
Depreciation	(6,530)	(92)	(560)	(7,182)
Closing net book amount	<u>313,425</u>	<u>150</u>	<u>1,202</u>	<u>314,777</u>
At 31 March 2013				
Cost	450,194	1,412	6,296	457,902
Accumulated depreciation	(136,769)	(1,262)	(5,094)	(143,125)
Net book amount	<u>313,425</u>	<u>150</u>	<u>1,202</u>	<u>314,777</u>

	Machinery and equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2014				
Opening net book amount	313,425	150	1,202	314,777
Additions	95,241	357	25	95,623
Write-off	(1,147)	–	–	(1,147)
Depreciation	(9,755)	(105)	(561)	(10,421)
	<u>397,764</u>	<u>402</u>	<u>666</u>	<u>398,832</u>
At 31 March 2014				
Cost	539,674	1,656	6,181	547,511
Accumulated depreciation	(141,910)	(1,254)	(5,515)	(148,679)
	<u>397,764</u>	<u>402</u>	<u>666</u>	<u>398,832</u>

- (a) The net book value of plant and equipment held under finance lease obligations comprise:

	As at 31 March		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost – Capitalised finance leases	62,858	122,490	120,429
Accumulated depreciation	(2,529)	(4,339)	(6,296)
	<u>60,329</u>	<u>118,151</u>	<u>114,133</u>

- (b) As at 31 March 2012, 2013 and 2014, plant and equipment amounting to HK\$14,339,000, HK\$46,813,000 and HK\$99,145,000 were secured for the Group's bank borrowings (note 22(h)(vi)).

14 TRADE AND RETENTION RECEIVABLES, AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Trade receivables	3,610	70,290	27,799
Retention receivables	4,613	26,459	50,787
	<u>8,223</u>	<u>96,749</u>	<u>78,586</u>
Deposits, prepayments and other receivables (<i>note</i>)	16,650	9,036	4,483
Provision for impairment	(5,907)	–	–
	<u>10,743</u>	<u>9,036</u>	<u>4,483</u>
Less: non-current portion	(1,360)	(480)	(1,368)
Current portion	<u>9,383</u>	<u>8,556</u>	<u>3,115</u>

note: The balance mainly represents receivables for leasing of machinery and equipment, bond deposit for construction projects, rental deposit, prepayment for plant and equipment and other miscellaneous prepayments.

The credit period granted to trade customers other than for retention receivables was within 45 days. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

As at 31 March 2012, 2013 and 2014, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
1 to 30 days	1,360	69,824	27,799
31 to 60 days	–	466	–
61 to 90 days	–	–	–
91 to 180 days	–	–	–
181 to 365 days	2,250	–	–
	<u>3,610</u>	<u>70,290</u>	<u>27,799</u>

In the combined balance sheets, retention receivables were classified as current assets. The ageing of the retention receivables based on invoice date was as follows:

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	1,137	25,021	34,442
Between 1 and 5 years	3,476	1,438	16,345
	<u>4,613</u>	<u>26,459</u>	<u>50,787</u>

As at 31 March 2012, 2013 and 2014, trade and retention receivables of HK\$5,726,000, HK\$18,502,000 and HK\$2,072,000 were past due but not impaired. These relate to certain customers with no recent history of default. The ageing analysis of these trade and retention receivables was as follows:

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Past due by:			
1 to 30 days	–	12,558	–
31 to 60 days	–	4,684	322
61 to 90 days	–	322	–
91 to 180 days	–	523	385
181 to 365 days	2,250	–	–
More than 365 days	3,476	415	1,365
	<u>5,726</u>	<u>18,502</u>	<u>2,072</u>

As at 31 March 2012, 2013 and 2014, there was no impairment in trade and retention receivables.

The carrying amounts of trade and retention receivables approximated their fair values and were denominated in the following currencies:

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
HK\$	8,223	31,892	27,026
MOP	–	64,857	51,560
	<u>8,223</u>	<u>96,749</u>	<u>78,586</u>

As at 31 March 2012, HK\$5,907,000 of other receivables was impaired and fully provided. As at 31 March 2013 and 2014, there was no impairment in other receivables.

The ageing of these other receivables was as follow:

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
More than 365 days	5,907	–	–
	<u>5,907</u>	<u>–</u>	<u>–</u>

Movements of provision for impairment of other receivables were as follows:

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	8,269	5,907	–
Receivables written off as uncollectible	(2,362)	(5,907)	–
	<u>5,907</u>	<u>–</u>	<u>–</u>

15 INVENTORIES

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Machinery and equipment for sale	2,455	–	–
Materials and consumables for construction works	1,282	850	–
	<u>3,737</u>	<u>850</u>	<u>–</u>

note: During the year ended 31 March 2013, the Group disposed of its inventories amounting to HK\$2,952,000, to companies beneficially owned by the directors of the Company at carrying value (note 27(b)).

16 CONTRACTING WORK-IN-PROGRESS

	As at 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	196,395	113,541	118,807
Progress billings to date	(160,022)	(140,174)	(99,326)
	<u>36,373</u>	<u>(26,633)</u>	<u>19,481</u>
Included in current assets/(liabilities) are the following:			
Due from customers for contract work	36,373	9,648	19,481
Due to customers for contract work	–	(36,281)	–
	<u>36,373</u>	<u>(26,633)</u>	<u>19,481</u>

As at 31 March 2012, 2013 and 2014, amounts due from customers for contract work included a balance of HK\$9,374,000 not yet certified by a customer. On 14 November 2013, a subsidiary of the Company served a notice of arbitration to this customer to settle the dispute on the final payment of the contract. Taking into consideration the advice from its legal representative, the directors consider that the Group is fully entitled to payment to cover at least the balance on book.

17 CASH AND CASH EQUIVALENTS

	As at 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Cast at bank	3,237	22,469	122,004
Cash on hand	16	37	71
Less: restricted bank balances (<i>note</i>)	–	–	(36,138)
Cash and cash equivalents	<u>3,253</u>	<u>22,506</u>	<u>85,937</u>
Maximum exposure to credit risk	<u>3,237</u>	<u>22,469</u>	<u>122,004</u>

note: Restricted bank balances consist of (a) deposit of HK\$9,300,000 for a bank to issue a letter of credit to a supplier for the purchase of plant and equipment; (b) deposit of HK\$17,138,000 for a bank to issue a performance bond; and (c) deposit of HK\$9,700,000 to secure a revolving loan.

Cash and cash equivalents include the following for the purposes of the combined statements of cash flows:

	As at 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Cash and cash equivalents	3,253	22,506	85,937
Bank overdraft (<i>note 22</i>)	–	–	(28,455)
	<u>3,253</u>	<u>22,506</u>	<u>57,482</u>

The carrying amounts of cash and cash equivalents and restricted bank balances were denominated in the following currencies:

	As at 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
HK\$	3,247	11,904	87,901
MOP	–	10,575	34,151
United States dollars (“US\$”)	6	27	23
	<u>3,253</u>	<u>22,506</u>	<u>122,075</u>

18 SHARE CAPITAL AND RESERVES

Group

	Share capital HK\$'000 (<i>note a</i>)	Merger reserve HK\$'000 (<i>note b</i>)	Retained earnings HK\$'000	Total HK\$'000
At 31 March 2011	78	10,422	51,303	61,803
Profit for the year	–	–	24,208	24,208
At 31 March 2012	78	10,422	75,511	86,011
Profit for the year	–	–	55,622	55,622
At 31 March 2013	78	10,422	131,133	141,633
Profit for the year	–	–	127,086	127,086
Dividends relating to the year ended 31 March 2013 paid to the then shareholders	–	–	(50,000)	(50,000)
At 31 March 2014	<u>78</u>	<u>10,422</u>	<u>208,219</u>	<u>218,719</u>

note a: The Financial Information has been prepared as if the current group structure had been in existence throughout each of the years ended 31 March 2012, 2013 and 2014 or since the date when the combining companies first came under the control of SW (BVI), where there is a shorter period. The share capital as presented in the combined balance sheets as at 31 March 2012, 2013 and 2014 represented the share capital of SW (BVI) which is the intermediate holding company of other members of the Group.

note b: Merger reserve as presented in the combined balance sheets during the Relevant Periods represented the difference between the aggregation of the nominal value of the share capital of Sam Woo Bore Pile Foundation Limited and Sam Woo Engineering Equipment Limited acquired over the nominal value of the share capital of SW (BVI) issued in exchange thereof pursuant to the reorganisation completed in 2003.

Company

	Share capital HK\$'000 <i>(note c)</i>	Accumulated losses HK\$'000	Total HK\$'000
At 17 September 2012 (date of incorporation)	–	–	–
Issue of ordinary share	–	–	–
Loss for the period	–	(8,522)	(8,522)
	<hr/>	<hr/>	<hr/>
At 31 March 2013	–	(8,522)	(8,522)
Loss for the year	–	(1,605)	(1,605)
	<hr/>	<hr/>	<hr/>
At 31 March 2014	–	(10,127)	(10,127)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

note c: The Company was incorporated in the Cayman Islands on 17 September 2012 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with par value of HK\$0.01 each, one share of which was allotted and issued nil-paid to Mr. Lau Chun Ming on trust for Actiease Assets since 17 September 2012. On 9 July 2014, the share was formally transferred to Actiease Assets.

19 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities were as follows:

	2012 HK\$'000	As at 31 March	
		2013 HK\$'000	2014 HK\$'000
Deferred income tax asset:			
Recoverable after more than 12 months	2,447	544	3,517
Recoverable within 12 months	480	96	85
Deferred income tax liabilities:			
Payable or to be settled more than 12 months	(18,899)	(29,147)	(31,846)
	<hr/>	<hr/>	<hr/>
Deferred income tax liabilities, net	(15,972)	(28,507)	(28,244)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The movement on the deferred income tax account was as follows:

	2012 HK\$'000	As at 31 March	
		2013 HK\$'000	2014 HK\$'000
At beginning of the year	(14,316)	(15,972)	(28,507)
Recognised in the combined statements of comprehensive income (<i>note 9</i>)	(1,656)	(12,535)	263
	<hr/>	<hr/>	<hr/>
At end of the year	(15,972)	(28,507)	(28,244)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The movements in deferred income tax liabilities and assets during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax liabilities – Accelerated tax depreciation

	As at 31 March		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At beginning of the year	26,945	30,740	42,321
Recognised in the combined statements of comprehensive income	3,795	11,581	12,584
At end of the year	<u>30,740</u>	<u>42,321</u>	<u>54,905</u>

Deferred income tax assets – Tax losses

	As at 31 March		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At beginning of the year	12,629	14,768	13,814
Recognised in the combined statements of comprehensive income	2,139	(954)	12,847
At end of the year	<u>14,768</u>	<u>13,814</u>	<u>26,661</u>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same tax jurisdiction. The following amounts, determined after appropriate offsetting, are shown in the balance sheet.

	As at 31 March		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Deferred income tax liabilities	(18,899)	(29,147)	(31,846)
Deferred income tax assets	2,927	640	3,602
	<u>(15,972)</u>	<u>(28,507)</u>	<u>(28,244)</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31 March 2012, 2013 and 2014, the Group had unrecognised tax losses of approximately HK\$1,221,000, HK\$1,655,000 and HK\$2,104,000, respectively, that can be carried forward to offset against future taxable income.

The expiry of unrecognised tax losses are as follows:

	As at 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Tax losses without expiry date	1,221	1,561	2,104
Tax losses expiring in 3 years	–	94	–
	<u>1,221</u>	<u>1,655</u>	<u>2,104</u>

20 TRADE AND RETENTION PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Trade payables	8,102	29,828	14,534
Retention payables	218	236	339
	<u>8,320</u>	<u>30,064</u>	<u>14,873</u>
Total trade and retention receivables	8,320	30,064	14,873
Accruals and other payables (<i>note</i>)	10,198	21,410	22,284
	<u>18,518</u>	<u>51,474</u>	<u>37,157</u>

note: The amounts mainly represent advance from a customer, and accruals and other payables for wages, legal and professional fees and transportation costs.

The ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
0 to 30 days	4,282	24,181	13,275
31 to 60 days	1,741	2,386	641
61 to 90 days	1,006	2,181	–
91 to 180 days	490	497	10
181 to 365 days	–	–	196
More than 365 days	583	583	412
	<u>8,102</u>	<u>29,828</u>	<u>14,534</u>

In the combined balance sheets, retention payables were classified as current liabilities. The ageing of the retention payables was as follows:

	As at 31 March		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 year	83	142	331
Between 1 and 5 years	135	94	8
	218	236	339
	218	236	339

The carrying amounts of trade and retention payables approximated their fair value and were denominated in the following currencies:

	As at 31 March		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
HK\$	8,288	26,727	13,445
MOP	–	2,579	603
Euro	32	758	213
Singapore dollars	–	–	612
	8,320	30,064	14,873
	8,320	30,064	14,873

21 AMOUNT DUE TO A DIRECTOR

As at 31 March 2012, amount due to a director was interest free, repayable on demand except for an amount of HK\$20,079,000 which was repayable on 31 May 2013 and classified as non-current liabilities.

As at 31 March 2013 and 2014, there was no amount due to a director.

22 BANK OVERDRAFTS AND BORROWINGS

	As at 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Non-current			
Obligations under finance leases	9,173	32,146	23,656
Long-term bank loans	–	24,188	14,150
	<u>9,173</u>	<u>56,334</u>	<u>37,806</u>
Current			
Bank overdraft	–	–	28,455
Short-term bank loans	–	49,922	92,556
Current portion of long-term bank loans due for repayment within one year	5,864	22,068	44,023
Long-term bank loans due after one year which contain repayment on demand clause	4,827	41,829	110,104
Obligations under finance leases due for repayment within one year	12,392	19,727	15,354
Obligations under finance leases due after one year which contain repayment on demand clause	–	6,318	8,384
	<u>23,083</u>	<u>139,864</u>	<u>298,876</u>
Total borrowings	<u><u>32,256</u></u>	<u><u>196,198</u></u>	<u><u>336,682</u></u>

(a) The maturity of borrowings was as follows:

(i) *Bank overdraft and bank loans*

In the combined balance sheets, bank loans due for repayment after one year which contain repayment on demand clause were classified as current liabilities.

However, based on the scheduled repayment terms set out in the loan agreements and ignoring the effect of any repayment on demand clause, the maturity of bank overdraft and bank loans was as follows:

	As at 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Bank overdraft on demand	–	–	28,455
Within 1 year	5,864	71,990	136,579
Between 1 and 2 years	3,402	24,112	42,283
Between 2 and 5 years	1,425	41,905	81,971
	<u>10,691</u>	<u>138,007</u>	<u>289,288</u>

(ii) *Obligations under finance leases*

In the combined balance sheets, obligations under finance lease due for repayment after one year which contain repayment on demand clause were classified as current liabilities.

However, based on the scheduled repayment terms set out in the finance lease agreements and ignoring the effect of any repayment on demand clause, the maturity of obligations under finance lease was as follows:

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	12,392	19,727	15,354
Between 1 and 2 years	8,602	12,464	15,308
Between 2 and 5 years	571	26,000	16,732
	<u>21,565</u>	<u>58,191</u>	<u>47,394</u>

(b) The weighted average interest rate during the Relevant Periods were as follows:

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Short-term bank loans	–	3.1%	5.0%
Long-term bank loans	3.8%	4.0%	2.9%
Obligations under finance leases	3.9%	3.8%	3.1%
Bank overdraft	–	–	1.4%
	<u>–</u>	<u>–</u>	<u>1.4%</u>

(c) The carrying amounts of the Group's bank overdraft and borrowings were denominated in the following currencies:

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
HK\$	32,256	196,198	277,585
MOP	–	–	59,097
	<u>32,256</u>	<u>196,198</u>	<u>336,682</u>

(d) The carrying amounts approximated their fair value as the impact of discounting is not significant. The fair values are within level 2 of the fair value hierarchy.

- (e) The obligation under finance leases are as follows:

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Gross finance leases – minimum lease payments			
Within 1 year	13,109	28,180	25,361
Between 1 and 2 years	8,791	11,036	11,347
Between 2 and 5 years	575	23,158	13,273
	<u>22,475</u>	<u>62,374</u>	<u>49,981</u>
Future finance charges on finance lease	(910)	(4,183)	(2,587)
Present value of obligations under finance leases	<u>21,565</u>	<u>58,191</u>	<u>47,394</u>

- (f) The finance leases are secured by certain plant and equipment with carrying amounts of HK\$60,329,000, HK\$118,151,000 and HK\$114,133,000 of a subsidiary as at 31 March 2012, 2013 and 2014 and unlimited personal guarantees given by directors as at 31 March 2013 and 2014. The said guarantees given by directors and certain subsidiaries are to be released and replaced by guarantees of the Company upon listing of the Company.

- (g) The Group has the following undrawn borrowing facilities:

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Floating rate			
Expiring within 1 year	35,000	86,539	69,717
	<u>35,000</u>	<u>86,539</u>	<u>69,717</u>

- (h) The Group's banking facilities are subject to annual review and secured or guaranteed by:

	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Secured	25,431	114,152	196,174
Unsecured	6,825	82,046	140,508
	<u>32,256</u>	<u>196,198</u>	<u>336,682</u>

- (i) corporate guarantees jointly granted by certain subsidiaries to the extent of HK\$35,000,000, HK\$35,000,000 and HK\$73,130,000, respectively, as at 31 March 2012, 2013 and 2014;
- (ii) personal guarantees provided by directors as at 31 March 2012, 2013 and 2014;
- (iii) a guarantee granted by the Government of the Hong Kong Special Administrative Region to the extent of HK\$6,825,000 HK\$4,125,000 and HK\$1,425,000, respectively, as at 31 March 2012, 2013 and 2014;

- (iv) an unlimited guarantee given by certain subsidiaries and related parties as at 31 March 2012, 2013 and 2014;
- (v) certain properties held by related parties as at 31 March 2013 and 2014;
- (vi) certain plant and equipment of the Group as detailed in note 13(a) and (b);
- (vii) an assignment of receivable over the proceeds of a construction project as at 31 March 2013;
- (viii) an indemnity from a subsidiary for the issuance of guarantee or performance bond of the Company as at 31 March 2013 and 2014;
- (ix) a deposit of not less than HK\$30,422,000 executed by Mr. Lau Chun Ming as at 31 March 2013 and 2014; and
- (x) fixed deposits amounting to HK\$9,700,000 for security of a revolving loan as at 31 March 2014.

The above guarantees, securities and deposit given by directors and related parties are to be released and replaced by guarantees of the Company upon listing of the Company.

The Group did not breach any financial bank covenant during the Relevant Periods.

23 COMMITMENTS

(a) Capital commitments

Capital expenditure committed at the balance sheet date but not yet incurred is as follows:

	As at 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Contracted but not provided for Plant and equipment	13,255	36,989	104,815
	<u>13,255</u>	<u>36,989</u>	<u>104,815</u>

(b) Operating lease commitments – as lessee

The future aggregate minimum lease rental expenses in respect of hiring equipment, office and storage premises, and quarters for workers and directors under non-cancellable operating leases are payable during the Relevant Periods.

	As at 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
No later than 1 year	961	5,522	3,264
Later than 1 year and no later than 5 years	949	1,943	917
	<u>1,910</u>	<u>7,465</u>	<u>4,181</u>

(c) Operating lease commitments – as lessor

As at 31 March 2012, 2013 and 2014, the Group did not have any operating lease commitments as a lessor.

24 CONTINGENT LIABILITIES

As at 31 March 2013 and 2014, the Group has given guarantee on performance bond of HK\$16,487,000 and HK\$67,305,000, respectively, in respect of construction contracts of the Group in its ordinary course of business. The performance bond as at 31 March 2013 was released in June 2013. The performance bond as at 31 March 2014 is expected to be released in October 2016.

25 LITIGATION

There was a fatal accident in 2004 when a worker was performing his work duty under the employment of a subsidiary of the Company. The subsidiary ("Defendant 1") has been among other defendants which are two other subsidiaries of the Company ("Defendant 2" and "Defendant 3" respectively), and a related party of the Company ("Defendant 4"), (collectively "Defendants") being sued in relation to the incident. In July 2011, the Court of Appeal judged that the Defendants were jointly and severally liable to make a compensation of HK\$2,680,000 to the deceased. The directors were of the opinion that Defendant 2, Defendant 3 and Defendant 4 should not be considered as the general employers of the deceased and should not be required to share the compensation. Defendant 2 and Defendant 3, together with Defendant 4, appealed to the Court of Final Appeal. In May 2013, the Court of Final Appeal allowed the appeal of Defendant 2, Defendant 3 and Defendant 4, and dismissed the claims against them. As at 31 March 2012 and 2013, the Group had provided a total sum of HK\$2,680,000 in respect of Defendant 1's liability. During the year ended 31 March 2014, the Group had recovered the said amount from insurance claim.

Up to the date of this report, management cannot ascertain the amount of legal costs incurred by the plaintiff that should be borne by Defendant 1, pursuant to the Court of Final Appeal's judgment on costs. The directors take the view that all these legal costs shall be covered by the relevant insurance purchased by Defendant 1. If there is any shortfall between the payment by the insurer and the actual amount of costs incurred by Defendant 1, the controlling shareholders of the Company (i.e. Mr. Lau Chun Ming, Ms. Leung Lai So, Silver Bright Holdings Limited and Actease Assets) have undertaken to make up such shortfall on demand.

26 NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Reconciliations of profit for the Relevant Periods to net cash generated from operations:

	Year ended 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Profit before income tax	25,996	68,271	129,895
Depreciation of plant and equipment	5,279	7,182	10,421
Gain on disposal of plant and equipment	(906)	(744)	–
Write-off of plant and equipment	–	–	1,147
Write-off of trade and retention payables	–	–	(1,015)
Finance income	–	–	(583)
Finance costs	1,800	3,140	9,742
	<u>32,169</u>	<u>77,849</u>	<u>149,607</u>
Changes in working capital:			
Increase in inventories	(433)	(497)	–
Decrease/(increase) in trade and retention receivables	7,953	(88,526)	18,163
(Increase)/decrease in deposits, prepayments and other receivables	(6,026)	827	5,109
(Increase)/decrease in amounts due from customers for contract work	(16,836)	27,278	(8,983)
(Increase)/decrease in amounts due from related companies	(547)	505	(184)
Increase/(decrease) in trade and retention payables	2,985	21,744	(14,176)
Increase in accruals and other payables	4,086	10,837	807
(Decrease)/increase in amounts due to customers for contract work	(1,679)	36,281	(36,281)
	<u>(1,679)</u>	<u>36,281</u>	<u>(36,281)</u>
Net cash generated from operations	<u>21,672</u>	<u>86,298</u>	<u>114,062</u>

(b) In the combined statements of cash flows, proceeds from disposal of plant and equipment comprise:

	Year ended 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Net book amount (note 13)	9	320	–
Gain on disposal of plant and equipment (note 6)	906	744	–
	<u>915</u>	<u>1,064</u>	<u>–</u>
Proceeds from sales of plant and equipment	<u>915</u>	<u>1,064</u>	<u>–</u>

- (c) Non-cash transactions
- (i) During the year ended 31 March 2012, addition of plant and equipment amounting to HK\$5,833,000 was reclassified from inventories and plant and equipment of HK\$398,000 was reclassified to contracting work-in-progress without any cash paid.
- (ii) During the year ended 31 March 2013, (i) finance lease arrangement was entered into by the Group for acquisition of plant and equipment amounting to HK\$59,633,000; (ii) disposal of inventories amounting to HK\$2,952,000 for the settlement of amount due to a director; and (iii) plant and equipment and inventories of HK\$121,000 and HK\$432,000, respectively, were reclassified to contracting work-in-progress without any cash paid.
- (iii) During the year ended 31 March 2014, (i) finance lease arrangement was entered into by the Group for acquisition of plant and equipment amounting to HK\$10,349,000; and (ii) inventories of HK\$850,000 was reclassified to contracting work-in-progress without any cash paid.

27 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 holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. 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) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the Relevant Periods:

Name of the related party	Relationship with the Group
Mr. Lau Chun Ming	Director of the Company
Asian Giant Limited	A related company wholly owned by certain directors of the Group
Cheer Crown Limited	A related company beneficially wholly owned by Mr. Lau Chun Ming
Cheer Profit International Enterprise Limited	A related company wholly owned by certain directors of the Group and their family member
Cheer Wealth International Development Limited	A related company wholly owned by certain directors of the Group and their family member
East Ascent Enterprise Limited	A related company wholly owned by certain directors of the Group and their family member
Healthy World Investment Limited	A related company wholly owned by certain directors of the Group
Kowloon Shipyard Company Limited	A related company wholly owned by certain directors of the Group
Long Ascent Development Limited	A related company wholly owned by certain directors of the Group
Redland Precast Concrete Products Limited	A related company wholly owned by Mr. Lau Chun Ming
Sam Woo Ship Building Limited	A related company wholly owned by certain directors of the Group
Sinoking Shipping Limited	A related company wholly owned by Mr. Lau Chun Ming
SW Ship Management	A related company wholly owned by certain directors of the Group
SW Group (Holdings)	A related company wholly owned by certain directors of the Group
三和集團	A related company wholly owned by certain directors of the Group

(b) Transactions

Save as disclosed elsewhere in the Financial Information, during the Relevant Periods, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Year ended 31 March		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Continuing transactions			
Paid to related parties:			
Rental expenses to Cheer Crown Limited (<i>note i</i>)	1,080	1,560	1,800
Rental expenses to East Ascent Enterprise Limited (<i>note ii</i>)	27	41	46
Rental expenses to Cheer Profit International Enterprise Limited (<i>note ii</i>)	27	41	46
Rental expenses to Long Ascent Development Limited (<i>note ii</i>)	473	558	600
Rental expenses to Cheer Wealth International Development Limited (<i>note ii</i>)	594	834	875
Rental expenses to Healthy World Investment Limited (<i>note ii</i>)	–	558	600
	<u> </u>	<u> </u>	<u> </u>
Discontinued transactions			
Disposal of inventories to related parties:			
Kowloon Shipyard Company Limited (<i>note iii</i>)	–	800	–
Sinoking Shipping Limited (<i>note iii</i>)	–	2,152	–
	<u> </u>	<u> </u>	<u> </u>
Paid to related parties for:			
Materials and consumables purchased on behalf of Kowloon Shipyard Company Limited (<i>note iv</i>)	–	497	–
Reimbursement of director's emoluments to Sam Woo Ship Building Limited (<i>note iv</i>)	–	349	–
	<u> </u>	<u> </u>	<u> </u>
Received from related parties:			
Reimbursement of administrative expenses from Redland Precast Concrete Products Limited (<i>note v</i>)	315	238	148
Reimbursement of staff costs from Kowloon Shipyard Company Limited (<i>note v</i>)	1,314	–	–
Reimbursement of staff costs from Asian Giant Limited (<i>note v</i>)	280	260	2,010
	<u> </u>	<u> </u>	<u> </u>

note i: Rental expenses are paid with reference to market rates of similar properties for storage of machinery and equipment.

note ii: Rental expenses are paid with reference to market rates of similar properties for directors' quarters.

note iii: Disposal of inventories to these related companies for the settlement of the amount due to a director were made at carrying value.

note iv: Materials and consumables and director's emoluments were charged at cost.

note v: Reimbursements of staff costs and administrative expenses were charged at cost.

(c) **Key management compensation**

Key management includes directors (executive and non-executive) of the Group. The compensation paid or payable to key management for employee services is disclosed in note 12(a).

(d) **Balances – non-trade**

Group	As at 31 March			Maximum amount outstanding during the year ended 31 March		
	2012	2013	2014	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asian Giant Limited	–	–	386	175	80	732
Cheer Crown Limited	40	40	–	40	40	40
Redland Precast Concrete Products Limited	–	2	–	–	85	39
Sam Woo Ship Building Limited	583	160	–	583	583	160
SW Ship Management	20	–	–	20	21	–
SW Group (Holdings)	40	–	–	40	40	–
三和集團	24	–	–	24	24	–
	<u>707</u>	<u>202</u>	<u>386</u>			

Receivables from the above related parties were unsecured, interest free and repayable on demand.

Group	As at 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Payable to a director:			
Mr. Lau Chun Ming (<i>note 21</i>)	<u>113,146</u>	<u>–</u>	<u>–</u>

28 ULTIMATE HOLDING COMPANY

Management consider that Silver Bright Holdings Limited is the ultimate holding company of the Group, which is a company indirectly owned by a discretionary trust, the beneficiary of which is Ms. Leung Lai So.

29 SUBSEQUENT EVENTS

Save as disclosed in the report, the following significant events took place subsequent to 31 March 2014:

- (a) On 13 September 2014, SW (BVI) declared a final dividend of HK\$50,000,000 to its shareholders. Such dividend has been paid in full in September 2014.
- (b) The Reorganisation was completed on 15 September 2014 and the details are set out in note 1.2.
- (c) Pursuant to the written resolution passed by the shareholders on 15 September 2014, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional 962,000,000 shares of HK\$0.01 each.
- (d) Pursuant to the written resolution passed by the shareholders on 15 September 2014, conditional on the share premium account of the Company being credited as a result of the initial public offering, the Company will issue additional 299,999,000 shares, credited as fully paid, to the existing shareholders of the Company.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2014 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2014.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of the 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 on the net tangible assets of the Group attributable to the equity holders of the Company as of 31 March 2014 as if the Share Offer had taken place on 31 March 2014. The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 March 2014 or at any future dates following the Share Offer. The unaudited pro forma statement of adjusted net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 March 2014 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 March 2014⁽¹⁾ HK\$'000	Estimated net proceeds from the Share Offer⁽²⁾ HK\$'000	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company as at 31 March 2014 HK\$'000	Unaudited pro forma adjusted net tangible assets per Share⁽³⁾ HK\$
Based on an Offer Price of HK\$1.00 per Share	<u>218,719</u>	<u>83,106</u>	<u>301,825</u>	<u>0.75</u>
Based on an Offer Price of HK\$1.50 per Share	<u>218,719</u>	<u>131,606</u>	<u>350,325</u>	<u>0.88</u>

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 March 2014 is extracted from the Accountant's Report of the Company as set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to the equity holders of the Company as at 31 March 2014 of HK\$218,719,000.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$1.00 and HK\$1.50 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately HK\$9.6 million which have been accounted for prior to 31 March 2014) payable by the Company and takes no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed “Share Capital” in this prospectus.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in note 2 above and on the basis that 400,000,000 Shares were in issue assuming that the Share Offer has been completed on 31 March 2014 but takes no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed “Share Capital” in this prospectus.
- (4) The unaudited pro forma adjusted net tangible assets does not take into account the final dividend of HK\$50,000,000 declared on 13 September 2014 for the year ended 31 March 2014. Such dividend has been paid in full in September 2014. Had such dividend been taken into account, the unaudited combined pro forma adjusted net tangible assets per Share would be approximately HK\$0.63 (assuming an Offer Price of HK\$1.00 per Share) and approximately HK\$0.75 (assuming an Offer Price of HK\$1.50 per Share) respectively.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2014.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

**羅兵咸永道****INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS****TO THE DIRECTORS OF SAM WOO CONSTRUCTION GROUP LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sam Woo Construction Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 March 2014, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 29 September 2014, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 March 2014 as if the proposed initial public offering had taken place at 31 March 2014. 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 2014, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

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.

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APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 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 accountant complies with ethical requirements and plans and performs 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 a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 proposed initial public offering at 31 March 2014 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 accountant’s judgment, having regard to the reporting accountant’s understanding of the nature of the company, 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 by the directors of the Company 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.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 September 2014

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 company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 September 2012 under the Companies Law. The Memorandum of Association and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 15 September 2014 conditional on Listing. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise

provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 10 October 2012.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. 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 17 September 2012. Our Company has established a principal place of business in Hong Kong at Unit 1310-13, 13th Floor, 113 Argyle Street, Mongkok, Kowloon, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part XI of the Predecessor Companies Ordinance on 15 February 2013. Mr. Lau and Mr. Chan Sun Kwong have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The addresses for service of process and notices in Hong Kong are Simplex 1 (also known as Simplex A), 29th Floor (including the flat roof(s) of Block 1), Block 1, Parc Palais, No. 18 Wylie Road, Ho Man Tin, Kowloon, Hong Kong and Flat B1, 9th Floor, Pak On Building, 105 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong, respectively.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution which comprises the Memorandum and the Articles of Association. A summary of various provisions of our Company's constitutional documents and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

As at the date of incorporation, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares with a nominal value of HK\$0.01 each and one subscriber Share was allotted and issued nil-paid to Codan Trust Company (Cayman) Limited.

On 17 September 2012, the one nil-paid subscriber Share was transferred to Mr. Lau, which was held on trust for Actiease Assets. On 9 July 2014, the one nil-paid subscriber Share was transferred to Actiease Assets.

Pursuant to the written resolutions of the sole Shareholder passed on 15 September 2014, the authorised share capital of our Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional 962,000,000 Shares.

On 15 September 2014, pursuant to the Reorganisation Agreement, our Company acquired the entire issued share capital of SW (BVI) and in consideration of which, (i) the one nil-paid Share held by Actiease Assets was credited as fully paid; and (ii) 999 Shares were allotted and issued, credited as fully paid, to Actiease Assets. After completion of the Reorganisation, our Company became the holding Company of our Group.

Immediately following completion of the Share Offer but without taking into account any Shares which may be allotted and issued pursuant to any options which may be granted under the Share Option Scheme, 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 allotted and issued, fully paid or credited as fully paid, and 600,000,000 Shares will remain unissued.

Other than pursuant to the Share Offer and the exercise of any options which may be granted under the Share Option Scheme, our Company does not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders in a 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 the share capital of our Company since the date of its incorporation.

3. Written resolutions of the sole Shareholder

Pursuant to the written resolutions passed by the sole Shareholder on 15 September 2014, inter alia:

- (a) our Company approved and adopted the Memorandum, with immediate effect, and the Articles, with effect from Listing Date, the terms of which are summarised in Appendix III to this prospectus;
- (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 962,000,000 Shares of HK\$0.01 each, each ranking pari passu with the existing Shares in all respects;
- (c) conditional on the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus including any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer was approved and our Directors or any committee thereof appointed for such purpose were authorised to allot and issue the Shares pursuant to the Share Offer, to rank pari passu with the then existing Shares in all respects;
 - (ii) the Share Option Scheme was approved and adopted with such additions, amendments or modifications thereto as may be approved by our Directors or any committee of the Board in their absolute discretion and the Directors or any committee of the Board were authorised, at its absolute discretion, to implement the Share Option Scheme, to grant options thereunder and to allot, issue and deal with the Shares thereunder and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme; and

- (iii) the Capitalisation Issue was approved 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 HK\$2,999,990 standing to the credit of the Company's share premium account towards paying up in full at par 299,999,000 Shares for allotment and issue to holder of Shares whose name appeared on the register of members of our Company at the close of business on 15 September 2014 (or as they may direct) in proportion as nearly as may be without involving fractions to its then existing shareholdings in 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 (other than the Capitalisation Issue) and our Directors or any committee of the Board were authorised to give effect to the Capitalisation Issue.
- (d) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend or similar arrangement in accordance with the Articles, or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme, Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately upon completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting, whichever occurs first;
- (e) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares 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, in accordance with all applicable laws and the requirements of the Listing Rules (or of such other stock exchange), of Shares not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately upon completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting, whichever occurs first; and

- (f) the general unconditional mandate as mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal amount 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 amount 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 taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.

4. Reorganisation

The companies comprising our Group underwent a Reorganisation in preparation for the Listing, details of which are set out in the paragraph headed “History and Corporate Structure – Reorganisation” in this prospectus. Following the Reorganisation, our Company became the holding company of our Group.

A diagram showing our Group structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the Share Offer (assuming that no Share has been allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) is set out in the paragraph headed “History and Corporate Structure – Reorganisation” in this prospectus.

5. Changes in share capital of subsidiaries

Our Company’s subsidiaries are referred to in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus. The following sets out the changes in share capital made by the subsidiaries of our Company during the two years preceding the date of this prospectus:

(a) *SW (BVI)*

On 21 February 2011, SW Holdings transferred 10,000 shares representing 100% of the shareholding interests in SW (BVI) to Actiease Assets at the consideration of HK\$140.0 million. After such transfer, SW (BVI) is wholly-owned by Actiease Assets.

(b) *SW Engineering Equipment*

On 30 July 2012, Mr. Lau transferred his one share in SW Engineering Equipment which he held on trust for SW (BVI) to SW AA Construction Group and pursuant to a declaration of trust dated 30 July 2012, SW AA Construction Group declared that it is holding the one share in SW Engineering Equipment on trust for SW (BVI). After such transfer, SW Engineering Equipment continues to be wholly-owned by SW (BVI).

(c) *SW Construction & Engineering*

On 30 July 2012, Mr. Lau transferred his one share in SW Construction & Engineering which he held on trust for SW Engineering Equipment to SW AA Construction Group and pursuant to a declaration of trust dated 31 July 2012, SW AA Construction Group declared that it is holding the one share in SW Construction & Engineering on trust for SW Engineering Equipment. After such transfer, SW Construction & Engineering continues to be wholly-owned by SW Engineering Equipment.

(d) *SW Bore Pile*

On 30 July 2012, Mr. Lau transferred his one share in SW Bore Pile which he held on trust for SW (BVI) to SW AA Construction Group and pursuant to a declaration of trust dated 30 July 2012, SW AA Construction Group declared that it is holding the one share in SW Bore Pile on trust for SW (BVI). After such transfer, SW Bore Pile continues to be wholly-owned by SW (BVI).

(e) *SW Foundation (Macau)*

On 23 August 2011, SW Foundation (Macau) was incorporated in Macau with limited liability with a registered share capital of MOP30,000 and was owned as to MOP29,000 by Mr. Lau and as to MOP1,000 by Mr. Lau Chun Kwok.

On 8 November 2011, Mr. Lau and Mr. Lau Chun Kwok have respectively transferred quotas of MOP28,000 and MOP1,000 to SW Bore Pile.

Pursuant to a power of attorney dated 18 October 2012 executed by Mr. Lau, Mr. Lau has granted all his powers relating to (a) the social rights and (b) his quota of MOP1,000 in SW Foundation (Macau), including the powers to enable the attorney to assign his quota of MOP1,000 into its own name, in favour of SW Bore Pile. On 5 September 2014, Mr. Lau transferred his quota of MOP1,000 to SW AA Construction Group. Pursuant to a power of attorney dated 17 September 2014 executed by SW AA Construction Group as the holder of the quota of MOP1,000, SW AA Construction Group has granted all powers relating to (a) the social rights and (b) the quota of MOP1,000 held in SW Foundation (Macau), including the powers for the attorney to assign the said quota into its own name, in favour of SW Bore Pile. In addition, the power of attorney issued by Mr. Lau on 18 October 2012 ceased to be valid as Mr. Lau was no longer the owner of the MOP1,000 quota in SW Foundation (Macau) and hence not holding any social rights over such quota. Based on the advice of the Macau Legal Adviser, our Directors confirm that the power of attorney granted by SW AA Construction Group in favour of SW Bore Pile forms an irrevocable act and cannot be revoked by SW AA Construction Group without the consent of SW Bore Pile. As a result thereof, SW Bore Pile is the beneficial owner of the registered capital of MOP30,000 in SW Foundation (Macau).

(f) *SW Construction*

On 30 July 2012, Mr. Lau transferred his one share in SW Construction which he held on trust for SW (BVI) to SW AA Construction Group and pursuant to a declaration of trust dated 30 July 2012, SW AA Construction Group declared that it is holding the one share in SW Construction on trust for SW (BVI). After such transfer SW Construction continues to be wholly-owned by SW (BVI).

(g) *SW Civil Contractors*

On 30 July 2012, Mr. Lau transferred his one share in SW Civil Contractors which he held on trust for SW (BVI) to SW AA Construction Group and pursuant to a declaration of trust dated 30 July 2012, SW AA Construction Group declared that it is holding the one share in SW Civil Contractors on trust for SW (BVI). After such transfer, SW Civil Contractors continues to be wholly-owned by SW (BVI).

(h) *SW Civil Works*

On 30 July 2012, SW Group (Holdings) transferred its one share in SW Civil Works which it held on trust for SW (BVI) to SW AA Construction Group and pursuant to a declaration of trust dated 30 July 2012, SW AA Construction Group declared that it is holding the one share in SW Civil Works on trust for SW (BVI). After such transfer, SW Civil Works continues to be wholly-owned by SW (BVI).

(i) *SW Foundation*

On 30 July 2012, SW Group (Holdings) transferred its one share in SW Foundation which it held on trust for SW (BVI) to SW AA Construction Group and pursuant to a declaration of trust dated 30 July 2012, SW AA Construction Group declared that it is holding the one share in SW Foundation on trust for SW (BVI). After such transfer, SW Foundation continues to be wholly-owned by SW (BVI).

(j) *SW Finance*

On 30 July 2012, SW Group (Holdings) transferred its one share in SW Finance which it held on trust for SW (BVI) to SW AA Construction Group and pursuant to a declaration of trust dated 30 July 2012, SW AA Construction Group declared that it is holding the one share in SW Finance on trust for SW (BVI). After such transfer, SW Finance continues to be wholly-owned by SW (BVI).

(k) *SW AA Construction Group*

On 22 March 2012, SW AA Construction Group was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 shares with par value of HK\$1.00 each. On the same day, one share with par value of HK\$1.00 was allotted and issued as fully-paid to SW (BVI).

(l) *SW Foundation Group*

On 22 March 2012, SW Foundation Group was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 shares with par value of HK\$1.00 each. On the same day, one share with par value of HK\$1.00 was allotted and issued as fully-paid to SW (BVI).

(m) *Redland Contractors*

On 18 May 2011, Redland Contractors was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 shares with par value of HK\$1.00 each. On the same day, two shares with par value of HK\$1.00 were allotted and issued as fully-paid to Best Captain which held the shares on trust for SW (BVI).

On 30 July 2012, Best Captain transferred the two shares representing 100% of the shareholding interests in Redland Contractors to SW (BVI). After such transfer, Redland Contractors is both legally and beneficially owned by SW (BVI).

Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

Save as disclosed above and in the paragraph headed “Reorganisaton” of this Appendix, there has been no alteration in the share capital of the subsidiaries of our Company which took place within two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of our own securities

This paragraph includes information relating to the repurchase by our Company of our own securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) **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) *Shareholder’s approval*

All proposed repurchases of Shares (which must be fully paid up) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed by the sole Shareholder on 15 September 2014, our Directors were granted the Repurchase Mandate to purchase up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme) on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. This mandate will expire at 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 of Association and applicable laws of the Cayman Islands to be held; or (iii) such mandate being revoked, varied or renewed by resolutions of the Shareholders in a general meeting.

(ii) *Source of funds*

The repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for such purpose in accordance with the Memorandum and Articles of Association and the applicable laws of the Cayman Islands and any other laws and regulations applicable to our Company. Our Company may not repurchase Shares on the Stock Exchange for consideration other than cash or for the settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

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 the Company or out of the Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) *Trading restrictions*

Our Company may repurchase up to 10% of the issued share capital immediately after completion of the Share Offer (excluding any Shares which may be issued pursuant to any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme).

(iv) *Core connected persons*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of such company or any of its subsidiaries or any of their close associates (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to our Company on the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interest of our Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable our Company to repurchase the Shares in the market. Repurchase will only be made where the Directors believe that such repurchases will benefit our Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or earnings per Share.

(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 (taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), 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.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, 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 Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

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, the Memorandum, the Articles of Association and any other applicable laws of the Cayman Islands.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in our Company's voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code) could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates, has any present intention to sell any Shares to our Company.

No core connected person of our Company has notified our Company that he has a present intention to sell his Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business of our Group) 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 Reorganisation Agreement;
- (b) the Deed of Indemnity;
- (c) the Deed of Non-competition Undertaking; and
- (d) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group owned the following registered trademark(s) in Hong Kong:

Trademark	Registrant	Class (Note)	Place of registration	Registration number	Registration date	Expiry date
	SW Foundation Group	37	Hong Kong	200312117	17 March 2003	17 March 2020
A) Sam Woo Construction Group Limited 三和建築集團 有限公司	SW AA Construction Group	37	Hong Kong	302766682	15 October 2013	14 October 2023
B) 三和建築集團 有限公司 Sam Woo Construction Group Limited						

Note:

The specific services under class 37 include construction engineering, civil engineering services, construction of building and piling services.

(b) Patents

- (i) As at the Latest Practicable Date, our Group is the owner of the following patent(s) registered in Hong Kong:

Patent description	Type	Owner of patent rights	Patent number	Validity period
Concreting equipment and method thereof 混凝土灌注設備及方法	Short-term patent	SW Foundation Group (Note)	HK1134748	7 May 2010 to 25 January 2018

Note: On 25 July 2012, Worldwide Profit assigned the patent to SW Foundation Group for a consideration of HK\$10.0.

- (ii) As at the Latest Practicable Date, our Group had applied for the registration of the following patent(s):

Patent description	Applicant	Place of application	Application number	Application date
Concreting apparatus and its method 混凝土灌注設備及方法 (the "PRC Patent")	SW Foundation Group (Note 1)	PRC	201010120049.2	25 January 2010
Concreting apparatus and its method 混凝土灌注設備及方法	SW Foundation Group (Note 2)	Hong Kong	11113615.5	16 December 2011
Concreting apparatus and its method 混凝土灌注設備及方法 (Note 3)	SW Foundation Group (Note 4)	Macau	J/985(708)	28 January 2013

Notes:

- Pursuant to an assignment made on 25 July 2012 between Worldwide Profit and SW Foundation Group, the application was assigned to SW Foundation Group. By a letter from the State Intellectual Property Office of the PRC (the "SIPO"), the SIPO indicated, inter alia, that there was insufficient evidence which could demonstrate that the invention under the PRC Patent application had the creativity which would entitle the invention to have a patent right. We had submitted our reply and provide additional information in response to SIPO's letter. SIPO's final decision to our PRC Patent application was still pending as at the Latest Practicable Date.
- Pursuant to an assignment contract dated 28 December 2012 made between Worldwide Profit and SW Foundation Group, the application was assigned to SW Foundation Group.
- This is an application for the extension of the PRC Patent and such is not an autonomous patent.
- Pursuant to an assignment made on 30 April 2013 between Worldwide Profit and SW Foundation Group, the application was assigned to SW Foundation Group for a consideration of HK\$10.0.

(c) *Domain names*

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Registrant	Expiry date
samwoo-group.com	SW Engineering Equipment	30 December 2023

Save as disclosed herein, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

C. DISCLOSURE OF INTERESTS**1. Directors**(a) *Interest and short positions of the Directors and the chief executives of our Company in the shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following completion of the Share Offer (taking no account of Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the interests and short positions of our Directors and chief executives of our Company in the shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO) or which will be required to be entered in the register kept by our Company pursuant to section 352 of the SFO, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

(i) Interest in Shares

Name of Director	Capacity/Nature of interest	Long/Short position	Number of Shares held	Approximate percentage of shareholding
Mr. Lau (<i>Note 1</i>)	Founder of a discretionary trust	Long	300,000,000	75%
Ms. Leung (<i>Note 2</i>)	Beneficiary of a discretionary trust	Long	300,000,000	75%

Notes:

- These Shares were held by Actiease Assets. Actiease Assets is 100% owned by Silver Bright, which is 100% held by Managecorp Limited as trustee of the Unit Trust whereby the entire issued units of which are held by Nautilus Trustees as trustee of the Family Trust. Mr. Lau, being the founder of the Family Trust, is therefore deemed to be interested in the Shares held by Actiease Assets under the SFO.
- Ms. Leung is the beneficiary of the Family Trust.

(ii) Interest in associated corporations of our Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Percentage of shareholding
Mr. Lau (<i>Note 1</i>)	Actiease Assets	Founder of a discretionary trust	100%
Mr. Lau (<i>Note 1</i>)	Silver Bright	Founder of a discretionary trust	100%
Ms. Leung (<i>Note 2</i>)	Actiease Assets	Beneficiary of a discretionary trust	100%
Ms. Leung (<i>Note 2</i>)	Silver Bright	Beneficiary of a discretionary trust	100%

Notes:

- Actiease Assets is wholly-owned by Silver Bright, which is 100% held by Managcorp Limited as trustee of the Unit Trust whereby the entire issued units of which are held by Nautilus Trustees as trustee of the Family Trust. Mr. Lau, being the founder of the Family Trust, is therefore deemed to be interested in the shares of Actiease Assets and Silver Bright under the SFO.
- Ms. Leung is the beneficiary of the Family Trust.

(b) Particulars of service contracts

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date which may be terminated by either party giving not less than three months' prior notice in writing and is subject to termination provisions therein and provisions on retirement by rotation of our Directors as set out in the Articles of Association. Particulars of the service contracts of our executive Directors are in all material respects the same. Each of the executive Directors shall be entitled to the annual fee as follows:

Name of Director	Annual Director's remuneration HK\$
Mr. Lau	1,440,000
Mr. Lau Chun Kwok	1,440,000
Mr. Lau Chun Ka	1,440,000
Ms. Leung	780,000

Each of our independent non-executive Directors has entered into a letter of appointment with our Company on 15 September 2014. Each such appointment is for an initial term of three years. Each appointment may be terminated by either party giving not less than one month's prior notice in writing and is subject to termination provisions therein. Pursuant to the letter of appointment, each independent non-executive Director is entitled to an annual director's fee of HK\$240,000.

Save as disclosed above, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any members of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(c) *Remuneration of Directors*

- (i) approximately HK\$2.8 million, approximately HK\$4.4 million and approximately HK\$4.7 million were paid to our Directors by our Group as remuneration for each of the three years ended 31 March 2014.
- (ii) Save as disclosed in the Accountant's Report in Appendix I to this prospectus, no Directors have received any remuneration or benefits in kind from our Group for each of the three years ended 31 March 2014, respectively.
- (iii) None of the Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 March 2014 as (1) an inducement to join or upon joining our Company; or (2) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) It is estimated that remuneration equivalent to approximately HK\$5.4 million in aggregate will be paid to our Directors by us in respect of the financial year ending 31 March 2015 under arrangements in force at the date of this prospectus.

2. Substantial Shareholders

Interest discloseable under the SFO and substantial shareholders

So far as our Directors are aware, immediately following completion of the Share Offer (taking no account of Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of our Company) are expected to have an interest or short position in the shares and underlying shares of our Company 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, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name of Shareholder	Long/Short position	Capacity/Nature of interest	Number of Shares held	Percentage of shareholding
Actiease Assets	Long	Beneficial owner	300,000,000	75%
Silver Bright (<i>Note 1</i>)	Long	Interest of a controlled corporation	300,000,000	75%
Managecorp Limited as trustee of the Unit Trust (<i>Note 2</i>)	Long	Trustee	300,000,000	75%
Nautilus Trustees (<i>Note 3</i>)	Long	Trustee	300,000,000	75%

Notes:

1. Actiease Assets is 100% owned by Silver Bright. Silver Bright is therefore deemed to be interested in the Shares held by Actiease Assets under the SFO.
2. Actiease Assets is 100% owned by Silver Bright, which is 100% held by Managecorp Limited as trustee of the Unit Trust. The issued units of the Unit Trust are 100% held by Nautilus Trustees as trustee of the Family Trust set up by Mr. Lau. The beneficiary of the Family Trust is Ms. Leung. Therefore, Managecorp Limited, being the trustee of the Unit Trust, is deemed to be interested in the Shares held by Actiease Assets under the SFO.
3. Nautilus Trustees, being the trustee of the Family Trust, is deemed to be interested in the Shares held by Actiease Assets under the SFO.

3. Related party transactions

Save as disclosed in this prospectus and in the Accountant's Report set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company had not engaged in any other material connected transactions or related party transactions.

4. Agency fee and commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

D. SHARE OPTION SCHEME

The principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the sole Shareholder passed on 15 September 2014 are set out below:

1. Purpose of the Share Option Scheme

The Share Option Scheme is a share incentive scheme and is established to recognize and motivate the contributions that Eligible Participants (as defined below) have made or may make to our Group.

The Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in our Company with the view to achieving the following principal objectives:

- (a) motivate the Eligible Participants to optimize their performance and efficiency for the benefit of our Group; and
- (b) attract and retain or otherwise maintain ongoing business relationships with the Eligible Participants whose contributions are, will or expected to be beneficial to our Group.

For the purpose of the Share Option Scheme, “**Eligible Participants**” means any person who satisfies the eligibility criteria in paragraph 2 below.

2. Who may join and basis of eligibility

The Board may at its discretion grant options to:

- (i) any Employees. “**Employees**” means employees (whether full time or part time, including any executive director but excluding any non-executive director) of our Company, any subsidiary or any entity in which our Group holds at least 20% of its issued share capital (“**Invested Entity**”);
- (ii) any non-executive directors (including independent non-executive directors) of our Company, any subsidiary or any Invested Entity;
- (iii) any supplier of goods or services to any member of our Group or any Invested Entity;
- (iv) any customer of any member of our Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purposes of the Share Option Scheme, options may be granted to any company wholly-owned by one or more Eligible Participants.

The basis of eligibility of any participant to be granted 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.

3. Subscription Price of Shares

The subscription price for any Share under the Share Option Scheme shall be a price determined by the Board and shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date of the relevant option, which must be a day on which the Stock Exchange is open for the business of dealing in securities (a "**Trading Day**"); (ii) an amount equivalent to the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 Trading Days immediately preceding the offer date of the relevant option; and (iii) the nominal value of a Share on the offer date of the relevant option. For the purpose of calculating the exercise price where our Company has been listed for less than five Trading Days, the Offer Price of the Shares shall be used as the closing price of the Shares for any Trading Days falling within the period before the Listing Date.

4. Grant of options and acceptance of offers

An offer for the grant of options shall be deemed to have been accepted by the Eligible Participants when our Company receives the letter containing the offer duly signed by the grantee together with a payment of HK\$1.00 (or such other nominal sum in any currency as the Board may determine) in favor of our Company as consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such payment shall in no circumstances be refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Eligible Participant.

5. Maximum number of Shares

- (i) Subject to sub-paragraphs (ii) to (iv) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (i.e. 40,000,000 Shares) (the "**Scheme Mandate Limit**") unless approved by the Shareholders pursuant to sub-paragraph (iii) below. Options lapsed in accordance with the terms of the scheme(s) will not be counted for the purpose of calculating the Scheme Mandate Limit.

- (ii) Subject to sub-paragraphs (iii) and (iv) below, the Scheme Mandate Limit may be renewed by the shareholders of our Company in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of approval of such renewal by the Shareholders of our Company. Upon such renewal, all options granted under the Share Option Scheme and any other share option schemes of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. A circular must be sent to the Shareholders containing such relevant information from time to time as required by the Listing Rules in connection with the general meeting at which their approval is sought.
- (iii) Subject to sub-paragraphs (iv) below, the Board may seek separate Shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is sought and our Company must issue a circular to the Shareholders containing such relevant information from time to time as required by the Listing Rules in relation to any such proposed grant to such Eligible Participants.
- (iv) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group must not, in aggregate, 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 adopted by our Group if such grant will result in the said 30% limit being exceeded.

6. Maximum entitlement of each participant

No option shall be granted to any Eligible Participant which, if exercised in full would result in the total number of the Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the Shares in issue as at the date of such grant. Any grant of further options above this limit shall be subject to the following requirements:

- (i) approval of the Shareholders at general meeting, with such Eligible Participant and its close associates (or if such Eligible Participants is a connected person, its associates) abstaining from voting;
- (ii) a circular in relation to the proposal for such further grant must be sent by our Company to its Shareholders with such information from time to time as required by the Listing Rules;
- (iii) the number and terms of the options to be granted to such proposed grantee shall be fixed before the Shareholders' approval mentioned in (i) above; and

- (iv) for the purpose of calculating the minimum exercise price for the Shares in respect of the further options proposed to be so granted, the date of board meeting for proposing such grant of further options shall be taken as the date of offer of such options.

7. Requirements on granting options to certain connected persons

Any grant of options to any 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 an independent non-executive director who or whose associate is a proposed grantee of an option).

Without prejudice to the foregoing paragraph, where any grant of options to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates would result in the total number of the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the total number of Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of such grant, in excess of HK\$5 million,

such further grant of options must be approved by the Shareholders on a poll in a general meeting where such grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting. Our Company will send a circular to the Shareholders containing the information required under the Listing Rules.

8. Restrictions on the time of grant of options

No option shall be granted after inside information has come to the knowledge of our Company until our Company has announced the information. In particular, it may not grant any option during the period commencing one month immediately before the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. No option may be granted during any period of delay in publishing a results announcement. "Inside information" has the meaning defined in the SFO.

The Board may not make any offer to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

9. 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 10 years from the offer date subject to the provisions of early termination thereof, and provided that the Board may determine the minimum period for which an option has to be held or other restrictions before its exercise.

The grantee shall not exercise an option to the extent that the public float of our Company will be less than 25% (or such higher percentage as required by the Stock Exchange or the Listing Rules) of the issued share capital of our Company immediately after the issue and allotment of the Shares upon such exercise of the option.

10. Performance targets

Save as determined by the Board and provided in the offer of grant of the options, there is no performance target that must be achieved before the options can be exercised.

11. Ranking of Shares

The Shares to be allotted and issued upon exercise of an option shall be subject to all the provisions of the Articles of our Company for the time being in force and shall rank pari passu in all respects with the then existing fully paid Shares in issue on the allotment date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the allotment date. Any Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered into the register of members of our Company as the holder thereof.

12. Rights are personal to grantee

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favor of any third party over or in relation to any option or enter into any agreement so to do.

13. Rights on cessation of employment

- (i) In the event of death of the grantee (being an individual) before exercising the option in full, his personal representatives may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his death and not already exercised) within a period of 12 months following his death or such longer period as the Board may determine.
- (ii) In the event of the grantee who is an Employee ceasing to be an Employee for any reason other than his death, or the termination of his employment pursuant to paragraph 18(v), the grantee may exercise the option (to the extent exercisable as at the date of such cessation and not already exercised) within 30 days following such cessation or such longer period as the Board may determine.

14. Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company while an option remains exercisable or this scheme remains in effect, whether by way of capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relate so far as unexercised; and/or the subscription price; and/or the method of exercise of the options; and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must be made in compliance with the Listing Rules, and give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled and shall be made on the basis that the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value provided that in such circumstance, the exercise price shall be reduced to the nominal value. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, the independent financial advisor of our Company or the auditors of our Company must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

15. Rights on a general offer

If a general or partial offer (whether by way of takeover offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror), our Company shall use all reasonable endeavors to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the offer becomes or is declared unconditional and not already exercised) in full or in part at any time within 14 days after the date on which the offer becomes or is declared unconditional.

16. Rights on winding-up

In the event notice is given by our Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise all or any of his/her options (to the extent exercisable as at the date of the notice of meeting and not already exercised) at any time not later than two Trading Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting of our Company to consider the winding-up and our Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

17. Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the restructuring, reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme, and thereupon the grantee shall be entitled to exercise all or any of his/her option(s) (to the extent which has become exercisable as at the date of the notice and not already exercised) at any time not later than 2 Trading Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting and our Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

18. Lapse of options

An option shall automatically lapse and not be exercisable on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of any of the periods referred to in paragraph 13 above;
- (iii) subject to paragraph 16 above, the date of the commencement of the winding-up of our Company;
- (iv) subject to the scheme becoming effective, the expiry of the period referred to in paragraph 17 above;
- (v) the date on which the grantee who is an Employee ceases to be an Employee by reason of summary dismissal or being dismissed for misconduct or other breach of the terms of his employment contract or other contract constituting him an Employee, or the date on which he begins to appear to be unable to pay or has no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his or her creditors generally or on which he has been convicted of any criminal offence involving his or her integrity or honesty, unless otherwise resolved to the contrary by the Board;
- (vi) in respect of a grantee other than an Employee, the date on which the Board shall determine that (i) (aa) such grantee has committed any breach of any contract entered into between such grantee on the one part and our Group or any Invested Entity on the other part; or (bb) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) such grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (ii) the option shall lapse as a result of any event specified in subparagraph (i) (aa), (bb) or (cc) above, unless otherwise resolved to the contrary by the Board;

- (vii) the expiry of the period referred to in paragraph 15 above; and
- (viii) the date on which the grantee commits a breach of paragraph 12 or any terms or conditions attached to the grant of the option or an event, in respect to a grantee, referred to in (2) below occurs, unless otherwise resolved to the contrary by the Board.

If the grantee is a company wholly-owned by one or more Eligible Participants:

- (1) the provisions of paragraphs 13(i) and (ii), 18(v) and (vi) shall apply to the grantee and to the options granted to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs 13(i) and (ii), 18(v) and (vi) shall occur with respect to the relevant Eligible Participant; and
- (2) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly-owned by the relevant Eligible Participant,

provided that the Board may decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

19. Cancellation of options granted but not yet exercised

The Board shall have the absolute discretion to cancel any options granted at any time if the grantee so agreed provided that where an option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made with available but unissued options (excluding the cancelled options) within the limit approved by the Shareholders as mentioned in the Share Option Scheme from time to time.

20. Period of the Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years after the adoption date, after which no further options may be issued. Subject to the above, in all other respects, in particular, in respect of options remaining outstanding, the provisions of the Share Option Scheme shall remain in full force and effect. On and subject to the terms of the Scheme and the Listing Rules, the Board may impose such terms and conditions of the offer of grant either on a case-by-case basis or generally including but not limited to the minimum period for which an option must be held before it can be exercised.

21. Alteration to the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that the terms and condition of the Share Option Scheme relating to matters set out in Rule 17.03 of the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) cannot be altered to the advantage of grantees or prospective grantees except with the prior approval of the shareholders of our Company in general meeting. No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior

to such alterations except with the consent or sanction of such majority of the grantee as would be required of the shareholders of our Company under the Articles for the time being of our Company for a variation of the rights attached to Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of the Directors or administrators of the Share Option Scheme in relation to any alterations to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

The amended terms of the Share Option Scheme and/or the options must continue to comply with the relevant provisions of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Scheme).

Subject to the above paragraphs, the Board may at any time alter, amend or modify the terms and conditions of the Share Option Scheme such that the provisions of the Share Option Scheme would comply with all relevant legal and regulatory requirements in all relevant jurisdictions to the extent as considered necessary by the Board to implement the terms of the Share Option Scheme.

22. Termination to the Share Option Scheme

Our Company by ordinary 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 the provisions of the Share Option Scheme shall remain in force in all other respects.

Options complying with the provisions of the Listing Rules which are granted during the life of the Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

23. Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon (i) the passing of the necessary resolution(s) to adopt the Share Option Scheme by the Shareholders at a general meeting; (ii) the Listing Committee granting the approval of the listing of and permission to deal in, the Shares in issue, the Share Offer and any Shares which may fall to be issued pursuant to the exercise of any options under the Share Option Scheme in respect of up to 10% of the Shares in issue as at the Listing Date; (iii) the obligations of the Underwriter(s) under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and (iv) the commencement of dealings in the Shares on the Stock Exchange.

As at the Latest Practicable Date, no option had been granted by our Company under the Share Option Scheme. An application has been made to the Listing Committee for the approval of the listing of, and permission to deal in the Shares to be issued and allotted by our Company pursuant to the exercise of options that may be granted under the Share Option Scheme in respect of up to 10% of the Shares in issue as at the Listing Date.

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date which is based on a number of speculative assumptions would not be meaningful and would be misleading to prospective investors.

E. OTHER INFORMATION

1. Estate duty, tax indemnity and other indemnities

The Controlling Shareholders (the “**Indemnifiers**”) have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (b) referred to under the paragraph headed “Summary of material contracts” in the section headed “Further information about the business of our Group” in this Appendix) to provide indemnities on a joint and several basis in respect of, among others, (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong to any member of our Group on or before the date on which the Share Offer becomes unconditional (the “**Effective Date**”); and (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental to or relating to taxation) and claims falling on any member of our Group resulting from or by reference to any income, profits, gains earned, accrued or received, or any transactions or events entered into or occurring up to the Effective Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities or claims are chargeable against or attributable to any other person, firm or company.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities to our Group in relation to taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the Effective Date. In particular, the Indemnifiers have jointly and severally covenanted to indemnify our Group against all claims, challenges and rejections from the Hong Kong tax authority and/or Macau tax authority and costs incurred as a result of or in connection with all transactions arising from the Machinery Lease Agreement and Machinery Agency Agreement before the Listing Date.

The Indemnifiers have further irrevocably undertaken to deposit a sum of HK\$20.0 million into a bank account under the name of our Company before the Listing Date, solely for the purpose of settling any claim in connection with and for the purpose of the above.

The said sum of HK\$20.0 million shall not be released and returned to the Indemnifiers until and after all claims, if any, related to the above have been concluded and fully settled and/or time-barred in both Hong Kong and Macau.

The Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands, BVI, Hong Kong and Macau.

The Deed of Indemnity does not cover any claim and the Indemnifiers shall be under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision, reserve or allowance has been made for such liability, taxation or taxation claim in the audited accounts of our Company and our subsidiaries as at and up to 31 March 2014 (the “**Accounts**”); or
- (b) to the extent that such taxation or liability for such taxation falling on any members of our Group in respect of their accounting periods or any accounting period commencing on or after 1 April 2014 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, our Group or any of its members (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date;
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in this prospectus; or
 - (iii) consisting of any of the members of our Group ceasing, or being deemed to cease, to be a member of any group of companies for the purposes of any matter of taxation;

- (c) to the extent that such taxation claim or liability arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority in Macau or any other jurisdictions coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect;
- (d) to the extent that any provisions or reserve made for taxation, taxation claim or liability in the Accounts which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifier's liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to this item (d) to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or
- (e) to any incomes, profits or gains earned, accrued or received by any member of our Group in the ordinary course of its business after the Listing Date.

Under the Deed of Indemnity, the Indemnifiers have also undertaken to each member of our Group that they will indemnify and at all times keep each member of our Group fully indemnified, on a joint and several basis, from and against all depletion in or reduction in value of assets, increase in liabilities, losses, claims, actions, proceedings, demands, orders, notices, liabilities, damages, costs (including legal costs), expenses, interest, fines, penalties, payments of whatever nature suffered or incurred by any member of our Group directly or indirectly arising out of or in connection with, mainly, any of the following (collectively, the “**Indemnified Events**”):

- (a) any possible or alleged violation, breaches or non-compliance by any member of our Group in the course of its business on or before the Listing Date, any applicable laws, rules and regulations in Hong Kong, the PRC, Macau and any jurisdictions in relation to all matters;
- (b) all claims, penalties, fines and all losses and damages which may be suffered by our Group as a result of any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature instituted or threatened against any member of our Group and/or any act, non-performance, omission or otherwise of any member of our Group accrued or arising on or before the Listing Date, including but not limited to the litigation and arbitration proceedings referred to in the section headed “Business – Legal and administrative proceedings” in this prospectus;

- (c) the implementation of the corporate reorganisation of our Group in the preparation of Listing as set out in this prospectus, and
- (d) the Company's failure to recover the entire uncertified contract works due from a customer for the three years ended 31 March 2014 in the sum of HK\$9,374,000,

PROVIDED THAT the Indemnifiers are under no liability under the Deed of Indemnity in respect of the Indemnified Events:-

- (a) to the extent that provision or reserve has been made for the relevant Indemnified Events in the audited accounts of any member of our Group for any accounting period up to the end of the Track Record Period;
- (b) to the extent that any provision or reserve made for the Indemnified Events in the audited accounts of any member of our Group for any accounting period up to the end of the Track Record Period which is finally established to be over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of the Indemnified Events shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of the Indemnified Events shall not be available in respect of any such liability arising thereafter; or
- (c) to the extent that the outstanding legal costs incurred by all members of our Group in respect of the legal proceedings and two ongoing arbitration proceedings engaged by our Group in Hong Kong for the period before the Listing Date is in aggregate equal to or less than HK\$3.6 million or in relation to each case, the sum specified in the Deed of Indemnity. In the event that such legal costs exceed HK\$3.6 million or the specified amount related to individual case, each of the Indemnifiers hereby irrevocably and unconditionally undertakes to make up such shortfall on demand.

2. Litigation

Save as disclosed in the paragraph headed "Compliance", "Non-compliance with the Predecessor Companies Ordinance" and "Legal and administrative proceedings" in the "Business" section 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 made an application on behalf of our Company to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

4. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Investec as our compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

5. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are estimated to be approximately HK\$42,000 and are payable by our Company.

6. Promoter

Our Company has no promoter as the term is defined under the Listing Rules.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Investec	A licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
TC & Co.	Hong Kong legal adviser
Rato, Ling, Vong, Lei & Cortés - Advogados	Macau legal adviser
Hills & Co.	PRC legal adviser
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law

PricewaterhouseCoopers	Certified Public Accountants
PricewaterhouseCoopers Limited	Hong Kong Consulting Firm
PricewaterhouseCoopers (Macau) Limited	Macau Consulting Firm
Lau & Au Yeung C.P.A. Limited	Certified Public Accountants
Asset Appraisal Limited	Property valuer
Ipsos Hong Kong Limited	Independent market research firm

8. Consents of experts

Each of the above named experts has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and the references to its name included herein in the form and context in which they are respectively included.

9. Sponsor's fees

The Sponsor will be paid by our Company a total fee of HK\$4.0 million to act as sponsor to our Company in the Listing.

10. 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 (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. Taxation of holders of Shares

(a) Hong Kong

Dealing 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 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.

12. Disclaimers

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person, not being a Director of our Company, who will, immediately following completion of the Share Offer and the Capitalisation Issue, be interested in or has short positions in the Shares or underlying shares of our Company which have to be notified to our Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO once the Shares are listed, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and any members of our Group;
- (b) so far as our Directors are aware, none of our Directors or chief executive has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) immediately following the completion of the Share Offer and assuming that the options which may be granted under the Share Option Scheme are not exercised, which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once the Shares are listed, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to our Company and the Stock Exchange, once the Shares are listed;
- (c) none of the Directors nor any of the parties whose names are listed in the paragraph headed “Qualifications of experts” under the section headed “Other information” in this Appendix is directly or indirectly interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the issue 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;
- (d) none of the Directors nor any of the parties whose names are listed in the paragraph headed “Qualifications of experts” under the section headed “Other information” 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;
- (e) none of the experts named in the paragraph headed “Qualifications of experts” under the section headed “Other information” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) none of the Controlling Shareholders nor any of the Directors is interested in any business apart from our Group’s business, which competes or is likely to compete, either directly or indirectly, with our Group’s business.

13. Miscellaneous

- (a) Save as disclosed in this prospectus:
 - (i) within the two years preceding the date of this prospectus,
 - (aa) 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 other than cash;
 - (bb) 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;
 - (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and
 - (dd) no founders, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued.
 - (ii) the Directors confirm that since 31 March 2014 (being the date to which the latest audited combined financial statements of our Group were made up), save for the increase in our indebtedness from approximately HK\$336.7 million as at 31 March 2014 to approximately HK\$399.9 million as at 31 July 2014, there has been no material adverse change in the financial or trading position or prospects of our Group.
- (b) There has not been any interruption in the business of our Group which may have or has had a material adverse effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (c) Save in connection with the Underwriting Agreement, none of the parties listed in the paragraph headed “Qualifications of experts” under this section headed “Statutory and general information” in this Appendix:
 - (i) is interested legally or beneficially in any securities of our Group or any of any 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 Group or any of our subsidiaries.

14. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

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 (i) copies of the **WHITE, YELLOW, GREEN** and **PINK** Application Forms; (ii) the written consents referred to in the paragraph headed “Other information – Consents of experts” in Appendix IV to this prospectus; and (iii) copies of the material contracts referred to in the paragraph headed “Further information about the business of our Group – Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of TC & Co. at Unit 2201-3, 22nd Floor, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (i) the Memorandum and the Articles;
- (ii) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (iii) the audited combined financial statements of our Group for the three years ended 31 March 2014;
- (iv) the report from PricewaterhouseCoopers on the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (v) the letters relating to the property interests of our Group prepared by Asset Appraisal Limited;
- (vi) the material contracts referred to in the paragraph headed “Further information about the business of our Group – Summary of material contracts” in Appendix IV to this prospectus;
- (vii) the service contracts with the executive Directors and the appointment letters with the independent non-executive Directors referred to in the paragraph headed “Disclosure of interests – Directors – Particulars of service contracts” in Appendix IV to this prospectus;
- (viii) the written consents referred to in the paragraph headed “Other information – Consents of experts” in Appendix IV to this prospectus;

- (ix) the legal opinion issued by Rato, Ling, Vong, Lei & Cortés - Advogados, the legal adviser to our Company as to Macau law, in respect of certain aspects of our Group;
- (x) the legal opinion issued by TC & Co., the legal adviser to our Company as to Hong Kong law, in respect of certain aspects of our Group;
- (xi) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus;
- (xii) the legal opinion issued by Hills & Co., the legal adviser to our Company as to PRC law, in respect of certain aspects of our Group;
- (xiii) the tax opinion issued by Lau & Au Yeung C.P.A. Limited, the tax representative to certain of our subsidiaries in respect of certain aspects of Hong Kong tax;
- (xiv) the tax opinion issued by PricewaterhouseCoopers Limited, the tax consultant in respect of Hong Kong tax treatment of income from the leasing of machinery and equipment under the Machinery Lease Agreement;
- (xv) the tax opinion issued by PricewaterhouseCoopers (Macau) Limited, the tax consultant in respect of Macau tax treatment of income from the leasing of machinery and equipment under the Machinery Lease Agreement;
- (xvi) the rules of the Share Option Scheme;
- (xvii) the Companies Law; and
- (xviii) the Ipsos Report.

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SAM WOO CONSTRUCTION GROUP LIMITED
三和建築集團有限公司